

St. Petersburg University
Graduate School of Management

Master in Management Program

The Impact of Managers' International Orientation in
Internationalization Performance.
The Case of Spanish Manufacturing Firms

Master's Thesis by the 2nd year student
Concentration — International Business
Alexander Tretyak

Research advisor:
Joan S. Freixanet
PhD in Business Administration
Senior Lecturer

St. Petersburg
2017

ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

Я, Третьяк Александр Викторович, студент второго курса магистратуры направления «Менеджмент», заявляю, что в моей магистерской диссертации на тему «Влияние международной ориентации менеджеров на результаты интернационализации: исследование испанских промышленных компаний», представленной в службу обеспечения программ магистратуры для последующей передачи в государственную аттестационную комиссию для публичной защиты, не содержится элементов плагиата.

Все прямые заимствования из печатных и электронных источников, а также из защищенных ранее выпускных квалификационных работ, кандидатских и докторских диссертаций имеют соответствующие ссылки.

Мне известно содержание п. 9.7.1 Правил обучения по основным образовательным программам высшего и среднего профессионального образования в СПбГУ о том, что «ВКР выполняется индивидуально каждым студентом под руководством назначенного ему научного руководителя», и п. 51 Устава федерального государственного бюджетного образовательного учреждения высшего образования «Санкт-Петербургский государственный университет» о том, что «студент подлежит отчислению из Санкт-Петербургского университета за представление курсовой или выпускной квалификационной работы, выполненной другим лицом (лицами)».

_____ (Подпись студента)

_____ (Дата)

STATEMENT ABOUT THE INDEPENDENT CHARACTER OF
THE MASTER THESIS

I, Tretyak Alexander, second year master student, program «Management», state that my master thesis on the topic «The Impact of Managers' International Orientation in Internationalization Performance. The Case of Spanish Manufacturing Firms», which is presented to the Master Office to be submitted to the Official Defense Committee for the public defense, does not contain any elements of plagiarism.

All direct borrowings from printed and electronic sources, as well as from master theses, PhD and doctorate theses which were defended earlier, have appropriate references.

I am aware that according to paragraph 9.7.1. of Guidelines for instruction in major curriculum programs of higher and secondary professional education at St.Petersburg University «A master thesis must be completed by each of the degree candidates individually under the supervision of his or her advisor», and according to paragraph 51 of Charter of the Federal State Institution of Higher Education Saint-Petersburg State University «a student can be expelled from St.Petersburg University for submitting of the course or graduation qualification work developed by other person (persons)».

_____ (Student's signature)

_____ (Date)

АННОТАЦИЯ

| | |
|---|---|
| Автор | Третьяк Александр Викторович |
| Название магистерской диссертации | «Влияние международной ориентации менеджеров на результаты интернационализации: исследование испанских промышленных компаний» |
| Факультет | Высшая школа менеджмента |
| Направление подготовки | 38.04.02 «Менеджмент» Профиль: Международный Бизнес |
| Год | 2017 |
| Научный руководитель | Фрейшанет Соливрисенс Хуан доктор наук в области делового администрирования (PhD), старший преподаватель |
| Описание цели, задач и основных результатов | Целью исследования является выявление связи между международной ориентацией менеджеров и результатами интернационализации фирм. Для достижения данной исследовательской цели была разработана теоретическая модель международной ориентации менеджеров, состоящая из пяти детерминант, на основе анализа существующих исследований в области международной ориентации менеджеров и результативностью интернационализации. Предложенная теоретическая модель была протестирована на примере 272 испанских промышленных фирм в окрестностях Барселоны. Тесты включали в себя ранговые корреляционные тесты Спирмена и две обратные пошаговые множественные регрессии. Корреляции и регрессионная модель выявили положительную связь между количеством поездок совершенных менеджером, количеством иностранных языков, уровнем образования и результатами интернационализации. Дополнительные корреляционные тесты и регрессионная модель выявили положительное влияние магистерской степени, знания английского языка и негативное влияние немецкого и итальянского языков на результаты интернационализации. |
| Ключевые слова | Интернационализация, результаты интернационализации, международная ориентация менеджеров, детерминанты международной ориентации менеджеров |

ABSTRACT

| | |
|---|---|
| Master Student's Name | Alexander Tretyak |
| Master Thesis Title | “The Impact of Managers’ International Orientation in Internationalization Performance. The Case of Spanish Manufacturing Firms” |
| Faculty | Graduate School of Management |
| Main field of study | 38.04.02 «Management» Specialization: International Business |
| Year | 2017 |
| Academic Advisor's Name | Freixanet Solervicens Joan, PhD in Business Administration, Senior Lecturer |
| Description of the goal, tasks and main results | The goal of the research is the identification of the link between managers’ international orientation and firms’ internationalization performance. In order to achieve this research goal, a theoretical model of managers’ international orientation consisting of five determinants was built on the basis of the analysis of the existing studies in the domain of managers’ international orientation and internationalization performance. The proposed theoretical model has been tested on a sample consisting of 272 Spanish Manufacturing Firms in the vicinity of Barcelona. The tests included Spearman’s rank correlation tests and two Forward Stepwise Multiple Regression models. The correlations and regression model have identified the positive relationship between the number of trips conducted by a manager, number of languages spoken, and the level of education. The narrowed correlation tests and regression model have identified the positive influence of Master Degree, English language and negative relations of German and Italian. |
| Keywords | Internationalization, internationalization performance, managers’ international orientation, determinants of managers’ international orientation |

Table of Contents

| | |
|---|----|
| INTRODUCTION | 7 |
| 1. THEORETICAL ASPECTS OF INTERNATIONAL ORIENTATION DEVELOPMENT UNDER THE CONDITIONS INTERNATIONALIZATION | 9 |
| 1.1. The characteristics of internationalization process | 9 |
| 1.2. International orientation of a manager in internationalization context | 11 |
| 1.3. Managers' international orientation and the born-global phenomenon | 20 |
| 1.4. The influence of international orientation on the internationalization performance | 21 |
| 1.5. Summary and hypothesis development | 23 |
| 2. STUDY OF INFLUENCE OF MANAGERS' INTERNATIONAL ORIENTATION ON FIRM INTERNATIONAL PERFORMANCE | 28 |
| 2.1. Data collection & descriptive statistics | 28 |
| 2.2. Design | 35 |
| 2.3. Data analysis | 36 |
| 3. EMPIRICAL STUDY OF THE INFLUENCE OF MANAGERS' INTERNATIONAL ORIENTATION ON THE INTERNATIONALIZATION PERFORMANCE OF A FIRM | 37 |
| 3.1. Testing of hypotheses | 37 |
| 3.2. Discussion of the results | 45 |
| 3.3. Limitations and further research | 47 |
| 3.4. Managerial implications | 49 |
| 4. CONCLUSION | 51 |
| List of References | 54 |

INTRODUCTION

Globalization becoming a phenomenon of the modern world. The economic ties between countries are strengthening. In the context of foreign trade, the potential economic growth for the companies lies in internationalization of their business. Internationalization has become not only a vital source of the economic growth, but a condition of their existence. Internationalization have become a fundamental principle of the modern economy regardless the firm's size and age, scope of its activities, and sector of its business operations.

One of the results of the globalization and integration is the existence of the European Union. In the context of the economic conditions of the EU, the companies have a variety of reasons for the decision to internationalize. According to the Eurostat, the backbone of the European Union policy are the SMEs ("Statistics On Small And Medium-Sized Enterprises" 2015). The SMEs represent 99% of total amount of enterprises in the EU. Managers' international orientation has influence on internationalization performance of both types of companies SMEs and MNEs. The impact of managers' international orientation is much higher in SMEs because of the fact that CEOs in SMEs are the focal point in decision-making procedures. The personal characteristics of an exporting manager of CEO can completely shape the internationalization strategy and performance of a firm.

The aim of the master thesis is the identification of the link between managers' international orientation and firms' internationalization performance. In the context of the aim of the master thesis, the following tasks were outlined:

- to characterize the internationalization process in the context of main internationalization theories;
- to study the managers' international orientation in the context of internationalization process;
- to explore the impacts of managers' international orientation in the born-global phenomenon;
- to investigate the influence of managers' international orientation on the internationalization performance of a firm;
- to design an empirical study of the influence of managers' international orientation on the internationalization performance of a firm;
- to conduct an empirical study in order to identify the links between international orientation of exporting managers of Spanish manufacturing companies and firms internationalization performance;
- to analyze and interpret the obtained results, provide practical managerial contributions.

The object of the master thesis. The object of the research is Spanish manufacturing firms.

The subject of the master thesis. The subject of the research is the impact of managers' international orientation in internationalization performance.

This master thesis utilizes statistical methods – correlation tests and multiple linear regression. The correlation tests are intended to reveal the relationships between the determinants of managers' international orientation and internationalization performance of a firm. As the result of correlation tests, were identified the major influencing determinants of managers' international orientation construct. On the basis of the conducted correlation tests were built two multiple linear regression model. The regression model has supported the hypothesis that there are the relationships between several determinants of managers' international orientation and firms' internationalization performance on a sample of 272 Spanish manufacturing firms. All the statistical tests were carried out in SPSS. Tableau was used to visualize the obtained results.

Managerial implications. Master thesis propose recommendations, which could be applied in the exporting activities by the managers. The main proposition is the list of determinants of managers' international orientation, which have a statistically significant relationship with the firms' internationalization performance. According to this list, exporting managers would be able to identify the bottlenecks in their international orientation and appropriately address the issue.

1. THEORETICAL ASPECTS OF INTERNATIONAL ORIENTATION DEVELOPMENT UNDER THE CONDITIONS INTERNATIONALIZATION

1.1. The characteristics of internationalization process

The internationalization process has become a widely researched topic since 1970s. As globalization progresses the pace of economies change increases rapidly. The life-cycle of products becomes shorter. Nowadays the companies are more willing to consider the strategic option of diversification into the foreign markets in pursue of growth and to prolong the life-cycle of their products. Not only MNEs are engaged in international activities. For SMEs internationalization is also a viable option due to the fall of governmental barriers and tariffs. The internationalization itself is defined as a process of increasing involvement in international operations (Welch & Luostarinen, 1988). The researchers have developed numerous internationalization models in order to explain the internationalization process.

Prior to the work of Johanson & Vahlne (1977) the process of internationalization was rather underdeveloped. The authors have introduced a dynamic behavioristic model of a gradual internationalization of a firm. The main idea is that a firm firstly gains knowledge from the domestic market before internationalizing into the foreign markets. According to the authors, firms choose the countries for new international ventures by the cultural or geographical proximity to the home country. The more experienced the firm is, the more distant countries it targets and much more risky entry modes it uses.

The main weakness with this theory is that deals more or less exclusively with experiential learning. The authors have overlooked the possibility of a firm to obtain knowledge from other sources or learn by imitating, which can definitely speed up the process of internationalization (Forsgren, 2002). Additional disadvantages include the neglect of the manager's role, an excessive deterministic approach, is not valid for service industries, and is not valid for highly-internationalized firms and focus only on the one explanatory variable (Axinn, & Matthysens, 2002).

Another approach is the OLI-theory or eclectic paradigm by J. H. Dunning (1988). This framework determines the pattern and degree of internationalization. The main idea is that a company possesses three types of advantages: ownership-specific, location-specific and internalization-specific advantages. The ownership-specific advantages of a firm are the unique know-how, technologies, capabilities, brand name, processes or physical assets that are not easily copied by its competitors. The location-specific advantages are the home country specific factors, such as natural resources, low-cost labor, highly skilled labor, government incentives for FDI support, etc. Internalization advantage is the degree of control over the value chain activities, how

it can control the proprietary knowledge. By the combination of these three types of competitive advantages a company is able to succeed in the foreign markets with FDI.

Alternative explanation of internationalization process is the Transaction Cost Theory or Transaction Cost Economics (TCE) by O.E. Williamson (1981). According to the author, the transaction costs are determined by the frequency, uncertainty, limited rationality, opportunistic behavior and specificity. The transaction cost approach states that a transaction is made with the lowest cost available and the optimal timing for switching ownership mode. It suggests to have the lowest possible degree of control over the foreign operations until it's not proven otherwise.

The network theory was proposed by Johanson & Mattsson (1987). Their idea is that networks are the bridging mechanism for a rapid internationalization. Networking is a source of market information and knowledge, which a firm cannot acquire easily without the connections in the foreign country. The first step is to understand the market, in which firm decides to operate. When company gets a sufficient knowledge, builds enough connections inside the target market it commits its resources and executes market penetration. After that, the firm starts integration process by using the existing network and by interacting with other firms.

Oviatt & McDougall (1994) have proposed an International Entrepreneurship theory, which contradicts other traditional theories. They have described a phenomenon of an enterprise, which is either engaged in the international activities right from its creation or shortly after. The theory takes into the account the influence of a manager's personality on the foreign market entry. It's based on the 4 factors: firm should rely on the alternative governance structures, have control over unique resources, attain a foreign location advantage and should be internalized enough to be able to offer value in exchange.

The essences of the classical theories, which describe the internationalization process, are represented in the table 1.1.

Table 1.1

The evolution of internationalization theories

| Author | Year | Theory | Essence |
|--------------------------------|------------------------|---------------------------------------|--|
| J. Johanson, J.E. Vahlne | 1977, 1990, 2009 | Uppsala Model | Internationalization is an incremental process of acquisition, integration and use of knowledge on foreign markets. Firm gradually increases its internationalization experience and psychic distance by operating in foreign markets. |
| O.E. Williamson | 1975, 1985 | Transaction Cost Approach | Transaction is made with the lowest cost available. |
| J.H. Dunning | 1979, 1988 | OLI Model | Firm combines ownership-specific, location-specific and internalization specific competitive advantage to succeed in the international markets. |
| J. Johanson, L. G. Mattson | 1987 | Network Theory | Internationalization is explained as a exploitation of networks in foreign countries. By the utilization of these networks firm is able to get the market knowledge, enter the market and successfully integrate into the network. |
| B.M. Oviatt, P.P. McDougall | 1994 | International Entrepreneurship Theory | Entrepreneurial behavior and activities, prior experiential knowledge of a manager shape the internationalization. Born-global phenomenon is represented as a proactive internationalization process. |

The traditional internationalization theories generally are focused on the internationalization of MNCs rather than SMEs. Internationalization of SMEs is more spontaneous and unsystematic, because SMEs lack formal procedures of entering foreign markets. Furthermore, most of them are completely neglecting the role of a decision-maker in the internationalization process. The role of manager in SME is vital to the success of firm internationalization. According to the Aaby & S.F. Slater (1989), competencies of the managers are much more important to the successful exporting than firm characteristics.

1.2. International orientation of a manager in internationalization context

One of the most important internal factors of internationalization is the international orientation of the manager. Some scholars even argue that it is an antecedent of the internationalization process. The behavior of managers, which can be described as a strong

orientation towards foreign markets, is called international or global orientation. According to Van Bulck (1979), this construct is called Global Business Orientation, which describes individuals' attitudes toward internationalization and ability to adapt to the new business environments.

A more recent definition of managers' international orientation was suggested by Acedo & Jones (2007). In their view international orientation is a managerial capability that describes the positive attitude of managers towards exporting and other international activities.

Until today there is no common approach to the definition of the managers' international orientation. This is mainly because of the different interpretations of Global Mindset Construct. There exists two main approaches to the Global Mindset interpretation: global mindset as a set of ideal managerial competencies for international operations (Beechler & Javidan, 2007; Bird et al., 2010) and a mixture of cultural intelligence and global business orientation indicators (Clapp-Smith, 2009; Story et al., 2011). This thesis is written from the position that global business orientation (or managers' international orientation) is a part of a global mindset.

The composition of indicators in the Global Mindset construct is still debatable. Various authors propose various combinations of indicators, such as global business orientation, cultural self-awareness and cultural intelligence, positive psychological capital, etc. This master thesis is based on the model proposed by Story et al. (2011), where Global Business Orientation together with Cultural Intelligence are the indicators of the Global Mindset. The position of Global Business Orientation or Managers' International Orientation could be observed on the figure 1.1.

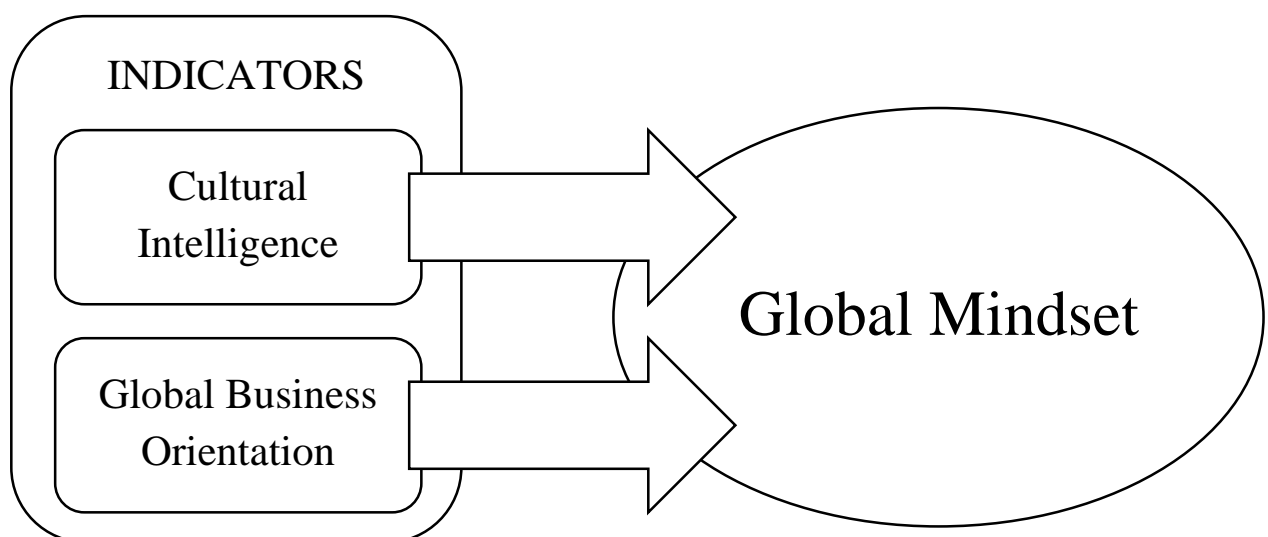


Figure 1.1. Position of Global Business Orientation in a Global Mindset

At the same time, some researchers (e.g. Story et al., 2014) regard the dimensions of international orientation as antecedents of global mindset. According to the authors, education, level of management, number of languages, business trips abroad and experience are the parts of the global mindset construct.

The scientists of the domain often use the terms “international orientation” and “global orientation” interchangeably. According to Cateora & Keaveney (1987), global orientation expands the international view, which is often regarded as multi-domestic, to the much broad transnational view of business opportunities. In other words, the difference between the terms lies in the scale of the application.

Freeman & Cavusgil (2007) have different definitions for the terms of “global orientation” and “international orientation”. Under the term “global orientation” these authors recognize a positive attitude toward international affairs, commitment to international markets, international vision and proactiveness. “International orientation” is a smaller construct, which describes a range of psychological and demographic characteristics. In these authors’ opinion a manager with high international orientation is well educated, proficient in foreign languages, flexible, have the high risk tolerance for undertakings and psychic distance, and have positive attitudes towards internationalization.

Taking into the account the variance of interpretation of terms “international” and “global” orientations, the summary of the current approaches is represented on the figure 1.2.

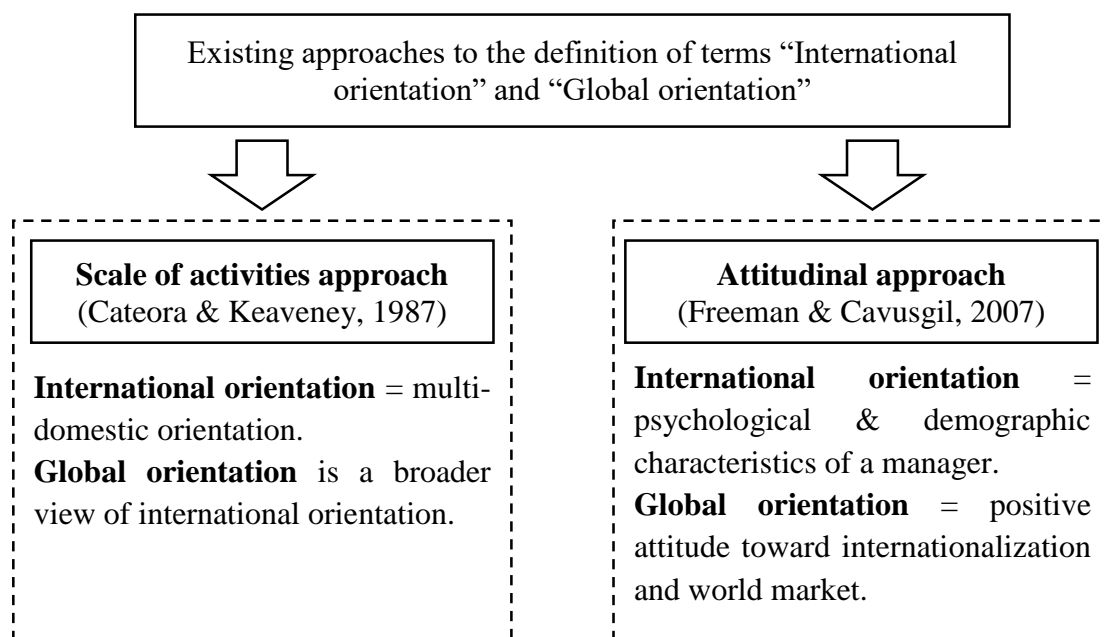


Figure 1.2. Approaches to the definitions of International and Global Orientation

This master thesis is written from the position of Freeman & Cavusgil (2007) and regards international orientation construct as a set of psychological and demographic characteristics of an exporting manager or exporting decision-maker.

Wiedersheim-Paul et al. (1978) have emphasized in their theoretical model the importance of international orientation of a decision-maker inside the firm, especially if it's a SME and is on

the pre-exporting stage of development. A decision-maker may have had a prior experience of international operations, developed a contacts network and knowledge of relevant export market opportunities. Additionally, the risk tolerance level of a decision maker is important factor to consider. According to their view, decision-maker is influenced by his environment and at the same time is creating a new environment through his and his firm's activities.

One of the first authors, who had described the influence of managers' global orientation was S. Reid (1981). By the analysis of empirical articles, the author has derived the idea that export choices of a firm are the result of interaction of decision-maker and firm specific factors. The author stands on the position that exporting is an innovation adoption process. S.Reid stated a hypothesis that decision-maker's attitude, experience, motivations and expectations are the key determinants of firm success, which is engaged in the international operations. The author introduces a term "foreign market orientation", which is a measure of the perceived difference between foreign markets and home market. Each foreign market has different variables that are perceived by the key decision-maker. The foreign market orientation is a property of an individual perception towards foreign markets, which is a funneling mechanism that helps to reduce the market set and performs as a selective sensitizer.

Dichtl et al. (1990) have established the dimensions of international orientation, such as the psychic distance to foreign markets, proficiency in foreign languages, risk tolerance and travel abroad. The authors argue that managers tend to have little international orientation if they have insufficient knowledge of foreign languages, have less experience with the foreign cultures displaying on average a larger psychic distance, are more risk-averse and rigid. Generally, managers with little international orientation will be less likely to participate in export activities than their more internationally oriented colleagues.

An empirical study of B. Gray (1997) by the conduction of cluster analysis have identified three main groups of decision-makers in SMEs: international achievers, international strivers and international pessimists. Achievers (26% of total sample) have extremely positive attitudes towards international operations, possess better than average international business knowledge and skills, find the international operations personally rewarding and have a higher level of global orientation. Strivers (54% of total sample) differ from achievers only in the degree of global orientation and have less international marketing and business knowledge. Pessimists (20% of total sample) have slightly better international marketing and business knowledge than the strivers, but low global orientation, aspirations for international operations. Achievers and strivers are concerned with psychic distance, but pessimists are not. Gray grounds his global orientation construct on the Cateora & Keaveney approach. This means that Gray's model of global orientation is a composition of the international orientation and commitment, global and cultural

awareness combined with the cultural sensitivity. The author has arrived at the conclusion that highly internationalized managers tend to work for better-performing companies. One major drawback of this empirical article is that it targeted only international marketing managers of New Zealand.

White et al. (1998) list international orientation of the manager as one of the 6 factors influencing the export performance of a firm, which includes firm characteristics, management attitudes, market characteristics, competitive or strategic advantage and strategic motivation. In the analysis, the authors used two variables of managers' international orientation: number of business trips conducted per year and months spent outside the home country in international work assignments. The article suggests that determinants influencing the export performance of manufacturing firms could be applied to the service companies.

In the study of Lloyd-Reason & Mughan (2002) argue that decision-maker to a greater extent determines the behavioral characteristics of SMEs. The study is mainly based on the LEONARDO project, which involved 8 SMEs from 4 EU countries. The authors emphasized that international orientation of decision-maker (his educational background, existing formal and informal contacts, language skills, knowledge of foreign competitors, experience of foreign cultures, etc.) is the key to the successful internationalization of a firm. If the decision-maker is not willing to embark the strategy of internationalization, then it would be reflected in the behavior of a firm. To illustrate this phenomenon, the authors have created a conceptual model of "internationalization web". According to the authors, the supportive policies towards decision-makers, who do are not globally oriented, will not give a sufficient result.

Age of a CEO could play an important role in internationalization. According to Andersson et al. (2004), younger CEOs see the world as a global marketplace. Often they don't regard country borders as barriers for international activities and they take a decision to internationalize even further. By taking riskier decisions they are able to grasp the opportunities outside of their home market. Such perceptions of young CEOs could have formed by the exposure to the international arena.

According to the Piaskowska & Trojanowski (2014), the high international orientation of a manager means high self-evaluation, which could possibly lead to the overconfidence in decision-making processes. This fact is explained as overoptimistic managers' perceptions towards international markets. The authors emphasize the importance and uniqueness of the international experience role in the formative years of a manager. Such experiences are able to evoke biculturalism. At the same time, the age of a CEO in a combination with high international orientation could negatively impact the internationalization performance of a firm, as the risk threshold is very small.

A link between the educational level, age and international experience of top management teams and international diversification of the company was identified by Herrman & Datta (2005). The results of their research show that managers with higher educational level tend to higher international diversification. Age of a manager is also an important factor to consider. Generally, the younger the manager is, the more active and flexible he is in seeking the diversification. The experience of international operations is often associated with the high levels of international orientation because of the possession by these managers of the skill set and market knowledge for the successful internationalization.

Knowles et al. (2006) emphasizing the importance of the managers' foreign language proficiency. They have empirically proved that successful managers tend to have high foreign language proficiency than not so successful ones. But, according to the authors, foreign languages are not so critical to the native English speakers, because authors haven't found a significant relationship between certain language skill and firm performance. In other words, languages help to develop intercultural competencies and personal characteristics of a decision-maker.

Another approach was taken by Williams & Chaston (2004). In their work, they have tried to identify the link between the linguistic capabilities of the export managers, their international experience, and their export marketing intelligence behavior. The authors have identified three types of managers: managers-linguists, managers, who have experience of living or working abroad, and experienced managers, who are much more experienced in international operations execution. These three types of managers are not only different in their backgrounds but also in preferences for market intelligence techniques and decision-making behavior. According to the authors, living or working abroad affects the frequency of information gathering and decision-making procedures. Those type of managers prefers to gather a greater amount of information about the market of their interest. The linguists focus more on active market intelligence techniques, i.e. visiting trade fairs, where they are able to use their differentiating language skills. Surprisingly, linguists are much more versatile than other types of their decision-making behaviors. For example, they evaluate new markets for entry much often or stop the firms' operation in a particular market. The experienced managers tend to use a contact-driven approach and rely on the departmental market intelligence, which has been built in previous years of operations.

While Knowles et al. (2006) recognize the importance of the foreign language proficiency of exporting manager, Cahen et al. (2016) see the absence of other than native language proficiency as one of the main barriers to the successful internationalization. At the same time, authors note that the most important language for the internationalization is English. This maybe not the case for the developed markets, but for the developing economies foreign language proficiency could

become a serious block for exporting activities. Taking into the account the specifics of SMEs, where CEO is often responsible for the exporting activities, acquisition of the necessary language skills is a vital decision for the successful exporting activities.

Hutchinson et al. (2006) suggest that travel experience and working abroad exposes a manager to the foreign cultures, which helps to build an international experiential knowledge. Additionally, it helps managers to establish formal and informal networks in foreign markets. Informal networks play an important role during the initial internationalization phase while formal networks are dominant among internationally established firms. From the authors' point of view, retail SMEs could overcome the lack of knowledge of unfamiliar markets by establishing formal networks. The choice of degree and destination of internationalization of SMEs depends on the key decision maker of a firm. Still, management expectations from internationalization were mostly influenced by the market perceptions as well as by the current market knowledge.

Tan et al. (2007) have studied the influence of decision-makers' perception of stimuli and their attitudinal commitment towards internationalization inside the concept of internationalization readiness on the pre-export stage as a method for developing the Internationalization Readiness Index. The authors categorize the decision-makers' attributes as a firm resources and emphasize their influence on the motivation and actions of internationalization.

Acedo & Jones (2007) have studied the influence of managers' international orientation on the speed of internationalization with regards to the proactivity, tolerance for ambiguity and risk perceptions of the managers. The authors have found that managers' international orientation generally leads to the higher levels of proactivity and lower perception of risk. This explains the behavior of highly internationalized firms, which strategy is mainly shaped by the export managers. As for the tolerance of ambiguity, international orientation of a manager seems to have no effect.

A recent study of Xu et al. (2016) emphasizes the influence of managers' international experiential knowledge on the firm's internationalization performance from the marketing point of view. According to them, international experiential knowledge, which is combined with the cultural awareness, helps to identify the future business trends. As Tan, authors are standing on the position that an experienced manager is a vital resource of a firm. Furthermore, the main responsibility of a firm is to transform this individual knowledge to the firm's shared knowledge.

The international experience of the exporting manager is extremely important if the firm is a "late mover". Young companies do not have an international accumulated knowledge. Due to this lack of knowledge, executives are not able to exercise the effective international strategy. Even if such companies were able to enter the market many of them are not able to withstand the

competition. As the result, such SMEs do not have an incentive to start exporting activities and they commit themselves to their respective home markets (Cahen et al., 2016).

On the contrary to the importance of experiential international knowledge during the exporting phase, Ganotakis & Love (2012) have recognized the difference between the stages of entering the market and exporting itself. There are a lot of SMEs, which are merely present in international markets, but are unable to become a successful exporters. According to their view, managerial and international experience are vital to the decision to become exporting firm. After that an education has a positive effect on the export intensity. Generally, CEOs with higher level of education tend to achieve higher levels of export performance in the case of technologically advanced products.

Stoian & Rialp-Criado (2010) identified the decision-makers' characteristics and perceptions, studied their influence on the export behavior of a firm with the help of a case-study method. The authors have developed a research framework, which describes the managerial determinants of SMEs' Export Behavior. Their main assumption is that export behavior of a firm is shaped by the managerial characteristics, which include demographic factors (age and educational level), industry and management know-how, foreign language skills, risk tolerance, innovativeness and international experience, and managerial perceptions about export contribution towards firm growth/profit and about export stimuli and export barriers. At the same time, managerial perceptions are influenced by organizational, foreign market and domestic factors. They arrived into the conclusion that high educational level, foreign language proficiency, innovativeness and high-risk tolerance, strongly perceived export stimuli and low export barriers positively influence the export involvement and development of the 4 studied manufacturing SMEs in Spain. The authors argue that export behavior of a firm can be explained with the managerial characteristics and perceptions rather than with the objective situation inside the company. The study would be more relevant if the researchers have conducted a quantitative study. Due to the qualitative nature of the used research methodology the results cannot be extrapolated to a larger population.

Kyvik et al. (2013) have observed the difference in strategic behavior among small enterprises with 10-50 employees concerning internationalization, which can be explained by the decision-maker's attitudes, international orientation and mindset. The authors used the term "global mind-set", which included pro-internationalization of an owner, holistic and global vision of foreign markets, openness of an owner to foreign ideas and cultures, willingness of an owner to work abroad. They have conducted a study of 215 Norwegian and 257 Portugal firms and have established that decision-making characteristics (cross-disciplinary collaboration skills, cognitive flexibility and networking capability) and work experience, including sales-marketing experience,

general management experience, international work exposure, and international travel experience of decision-maker positively contribute to the forming of his global mindset. The authors argue that exposure to the international markets is the key determinant in forming the global mindset of the small firm owners. Additionally, the global mindset of an owner influences the internationalization behavior of a firm.

R. Game and G. Apfelthaler (2016) have studied the motives of the SMEs to choose a higher degree of internationalization commitment. According to the article, SMEs internationalization behavior is influenced by the attitudes of a decision-maker. The authors' model takes into account two types of characteristics: management characteristics and situational specific factors. The key attitudes and characteristics of a manager were derived from the Calof and Beamish framework (1995), which included 5 factors: education, international experience, and international commitment, risk attitude, business cultures' knowledge. The model was applied to the sample of 224 Canadian SMEs' decision-makers. As the result of the study, the authors have arrived at the conclusions that international experience, international commitment, business cultures' knowledge and perceived benefits greatly influence the choice of an internationalization mode. The empirical evidence could be only applicable to Canadian manufacturing SMEs, because of the gathered sample.

Felicio et al. (2016) split up the global mindset (GM) concept even further. According to them, there are two types of the global mindset: individual global mindset (IGM) and corporate global mindset (CGM). In the article, they have researched the effects of IGM and CGM on the firms' internationalization, the relationships between the types of GM. For this reason, authors have conducted the structural equation modeling to test the relationships between IGM and CGM on a 526 firms' sample, which consist from Portuguese, Norwegian and Lithuanian SMEs. The IGM construct of the model consists of cognition, knowledge and behavior parts. The authors came to following conclusions: IGM and CGM are closely connected, both types of global mindsets are influenced by the cultural context. IGM of Norwegian and Portuguese managers strongly influences the firms' internationalization, but for Lithuanian sample, it's not always the case – the IGM influences moderately and partially. The main limitation of the study is that it doesn't take into the account the differences between industries and age of a particular firm. Additionally, IGM construct doesn't take into the account such variables as education, language proficiency and other, but focuses mainly on attitudes and personal beliefs such as abilities to listen to other people' opinion, engagement in a team, etc.

The determinants of the managers' international orientation are represented on a figure 1.3.

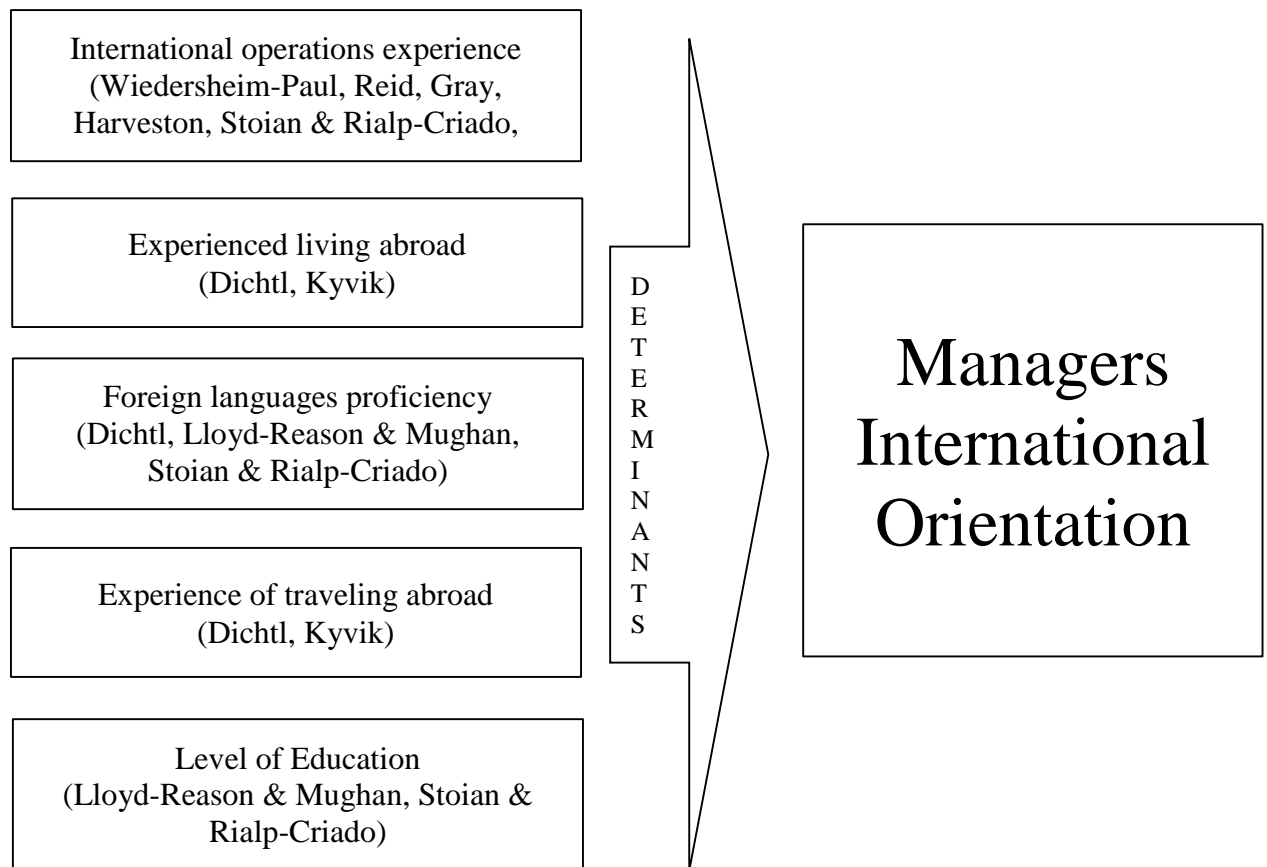


Figure 1.3. Determinants of managers' international orientation

The main determinants of managers' international orientation are the international operations experience, which includes the working experience on the managerial positions and knowledge of the markets, awareness of culture, foreign language proficiency and education of a manager.

1.3. Managers' international orientation and the born-global phenomenon

The born-global phenomenon is in the focus of the researchers since 1990s. Knight & Cavusgil (2004) define a born-global firm as a firm, which starts its international activities in a three-year period after the foundation. Rapid internationalization is not the only difference between a traditional firm and a born-global. The additional differences are the perceptions and motivations of the managers. Managers of a born-global firm perceive the world as a global marketplace, which is full of business possibilities and opportunities (Knight & Cavusgil, 1996). In order to grasp these opportunities, the born-global companies start their internationalization. Most traditional firms have a different motive. Usually, they start their exporting activities when there is a declining demand on a domestic market. From this point of view, the traditional firms are forced into the internationalization activities. In other words, born-globals are proactive, when they take an internationalization decision, and traditional firms are reactive to the market

conditions. Bell et al. (2003) suggest that sudden changes of internationalization strategy could be attributed to the change of the management team with regards to their international experience and global perspective.

Managers' international orientation plays an important role in the determination of international activities of an enterprise. According to Moen (2002), global orientation of a key decision-maker is among the factors, which could determine the type of an enterprise. The author states that market conditions and managers' global orientation factors could explain why the firm is a born-global or follows the path of traditional gradually internationalizing firms.

This link was firstly identified by Harveston et al. (2000). The authors have conducted an empirical study of 224 high-tech firms in USA, including 60 born-global firms. They have suggested that there is a difference in international orientation between the managers of born-global firms and gradual globalizing firms. The authors postulate that managers of born-global firms and gradual globalizing firms are different in their mindset, international experience and risk-tolerance levels. Generally, managers of born-global firms have a much more positive attitude towards internationalization and have a more extensive international experience than managers of gradual globalizing firms.

Olejnik & Swoboda (2012) in their work tried to identify quantitatively the internationalization patterns of German SMEs. From a sample of 674 firms of various sizes the authors were able to derive three internationalization patterns: traditional firms, born-globals and born-again globals. The authors state that the patterns are determined by the internationalization orientation, growth orientation, communication capability, marketing-mix standardization and intelligence generation capability.

1.4. The influence of international orientation on the internationalization performance

The importance of the managers' international orientation to the success of exporting activities has been recognized more than 30 years ago. Aaby & Slater (1988) in their review of empirical articles have arrived at the conclusion that management attitudes, internationalization commitments and exporting experience generally increase the performance of the internationalization of a firm. To the authors' opinion, international vision, consistent export goals, positive perceptions and attitudes towards internationalization, risk tolerance result in increased performance of exporting activities.

Lohrke et al. (1999) have found a greater positive effect of managers' international orientation on the export performance to the culturally different and geographically distant markets than on export performance to the culturally similar countries.

Nummela et al. (2004) have studied the connection between global mindset of managers and the internationalization performance of firms on the example of 72 Finnish companies in the field of information and communications technology. The results indicate that there is a positive relationship between manager's experience and global mindset. Additionally, there is a significant positive relationship between global mindset and financial indicators of international performance of the firm. The authors argue that global mindset has an effect on the internationalization of the firm. The main drawback of this research is that it focuses on only one industry within Finland. That's why the conclusions about the causal relationships cannot be driven. Furthermore, the degree of global mindset among the managers within one industry can be overemphasized.

These results are not only limited to the developed countries. A study of Bankuda (2004) had empirically found out that international orientation is a differentiation criterion between exporting and non-exporting firms. Generally, the exporting firms' managers have a higher international orientation. The author emphasizes the positive influence of managers' international orientation on the firms' international performance but argues that it's mediated by other variables, such as reduced delay to export and supply reliability. Additionally, international orientation of a manager influences the international behavior of a firm by affecting its export involvement.

The industry specifics greatly influences the relationship between managers' international orientation and export performance of a firm. For instance, prior international business experience of CEOs in software development industry of India and Finland doesn't mean an increased export performance (Kundu & Renko, 2005). The authors explain this fact by the abilities of software development entrepreneurs to reach their customers with formal and informal networks. On the other hand, strong professional education may influence export performance and export intensity of a firm. Although, it could be country-specific and industry-specific factor. Authors have discovered the marginal irrelevant utility of having master's or bachelor's degree for the firm's export performance.

Currently, there is no certain list of managerial determinants, which contribute to the success of a firm' internationalization. Stoian et al. (2011) have conducted an extensive research of the influence of managerial, organizational, environmental determinants in conjunction with subjective and objective export performance measures. On a sample of 146 Spanish decision-makers, researchers have found an empirical evidence of managerial determinants' strong influence on the export performance of a firm. To the author's view, managerial determinants consist of managerial international outlook and managerial perceptions regarding export stimuli and barriers. The most influential determinants were manager's foreign language proficiency and international business knowledge. The main limitations of the work are the country-specific context. The results of the work couldn't be generalized on a global scale.

A recent study of D. Cerrato and M. Piva (2015) had shown that firms tend to be closer to the home market because of the relevant costs of doing business in foreign markets. The study of Italian SMEs indicates that firms, which overcome the liability of inter-regional foreignness and enter markets outside the home region, generally, are able to increase their profitability.

The link between CEO's global orientation and international new ventures (INVs) success was identified by J. Yoon and D. Kim (2016) on a sample of technology-intensive South Korean SMEs. Authors stand on a position that Global Orientation is an intention to pursue new international markets, which includes such dimensions as international experience, international business expertise, language proficiency, internationalization intentions, and tendencies to enter new international markets. The authors position CEO's Global Orientation as a mediation variable without testing it as a moderating variable. Despite the authors' focus on the technological characteristics of INVs, they couldn't neglect the correlations between CEO's global orientation and internationalization. Additionally, it's not possible to generalize the results as the study was carried out only in South Korea.

The influence of the international orientation on the internationalization performance is still unclear. Despite the fact that there are a lot of empirical articles in the domain, which support the idea that international orientation positively influences the internationalization performance, they arrive at quite contradicting results. One of the articles, which criticizes the international orientation construct and its influence on the internationalization, is the article by Manolova et al. (2002). The authors haven't found any statistically significant difference between internationalized and non-internationalized firms in the degree of managers' international orientation.

1.5. Summary and hypothesis development

Internationalization process of an enterprise to a greater extent is influenced by the international orientation of a manager, who makes decisions concerning internationalization of a firm. The role of managers' international orientation is less in MNEs than in SMEs, but still it has the influence on the internationalization performance of the firm. This research is focused mainly on managers' international orientation of Spanish manufacturing enterprises of various sizes, but mostly SMEs.

The analysis of the literature concerning internationalization and managers' international orientation has led to the conclusion that there is a research gap between the managers' international orientation and its impact on the internationalization performance of a firm. The empirical evidence of international orientation influence on internationalization performance is contradictory. Up to the present date, there is a blurred understanding of the factors, which

constitute a managers' international orientation construct, and which of them influence the internationalization performance of a firm.

Additionally, the empirical results of the studies dedicated to the understanding of managers' international orientation influence on the firms' internationalization performance are mixed. This fact could be attributed to the conflicts in theoretical approaches between scholars concerning the term "international orientation". This conflict has been indicated in the first section of the master thesis. Based on this, the following research questions were formulated:

What managers' international orientation factors influence the internationalization performance of a firm?

Does managers' international orientation positively influence the internationalization performance of a firm?

This research is of a quantitative nature. This means that prior the actual statistical analysis, it's necessary to formulate the hypotheses (Muijs, 2010). In order to answer the aforementioned research questions, the main hypothesis was formulated:

H1: The managers' international orientation positively influences the internationalization performance of a firm.

Correspondingly, the null-hypothesis is a default position, where there is no relationship between the variables:

H0: There is no relationship between the managers' international orientation and the internationalization performance of a firm.

The hypothesis correspond to the suggestion that high managers' international orientation positively influences the internationalization of a firm (Aaby & Slater, 1988; Nummela et al., 2004; Stoian et al., 2011). After the analysis of existing literature in the domain, it's possible to derive a managers' international orientation construct in relation to the internationalization performance of a firm. The international orientation construct used in this master thesis is to be observed on figure 1.3.

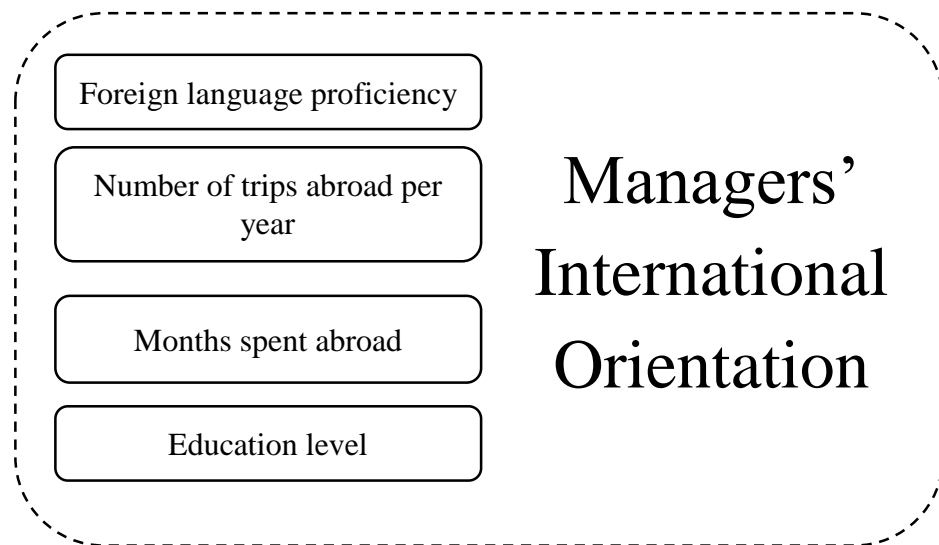


Figure 1.3. Managers' international orientation construct

Additionally, it's important to understand if any determinant directly influences the internationalization of a firm. For this reason, the sub-hypotheses were developed. These hypotheses will help to identify if a particular managers' international orientation determinant has a strong positive relationship with the dependent variable – the internationalization performance of a firm.

There are two main approaches to the evaluation of the importance of the foreign languages proficiency in the domain. Dichtl et al. (1990) and Cahen (2016) see the absence of the language skill as one of the main barriers to the internationalization. Knowles et al. (2006) emphasize that language proficiency is critical to the successful internationalization, but English is of a much greater importance than other languages. Williams & Chaston (2004) even argue that level of the language proficiency influences the market knowledge gathering techniques and, potentially, the export performance. Stoian & Rialp-Crialdo (2010) support this argument with their research and emphasize that number of languages spoken by an exporting manager leads to the increased export involvement of a company. Additionally, Stoian et al. (2011) state that a number of languages and language proficiency are one of the most influential managers' international orientation determinants, which influence the export performance of a firm. Taking into the account the aforementioned works, the sub-hypothesis (H1.1) was formulated in the following way:

H1.1: Foreign language proficiency positively influences the internationalization performance of a firm.

Calof & Beamish (1995) have included the education level of an exporting manager in their framework of managers' international orientation. According to the Herrman & Datta (2005), the higher level of education the higher is the international diversification. This statement is supported by Ganotakis & Love (2012), who argue that level of education has a positive effect on the export intensity and, consequently, on the export performance of a firm. Stoian & Rialp-Crialdo (2010) emphasize that level of education positively influences the export involvement of a firm. On the basis of the works of these authors, the sub-hypothesis (H1.2) has been formulated:

H1.2: Level of education positively influences the international performance of a firm.

The scholars in the domain often mention together with the number of business trips conducted by an exporting manager and experience of living abroad (White et al., 1998). According to Williams & Chaston (2004), living and traveling abroad positively influence the exporting performance of a firm. Additionally, managers, who travel frequently and lived for a long time abroad, have a special approach to the gathering of market knowledge. They tend to gather greater amounts of information concerning the foreign market of their interest than other types of managers. Hutchinson et al. (2006) that traveling and working abroad positively influences the firm internationalization performance but in a different manner. According to them, traveling and working helps exporting managers to build formal and informal networks in the targeted foreign market. With the reference to this information, the two sub-hypotheses (H1.3 and H1.4) were formulated in the following manner:

H1.3: Manager's traveling abroad positively influences the international performance of a firm.

H1.4: Manager's experience of living abroad positively influences the international performance of a firm.

The hypotheses relations are visually represented on figure 1.4.

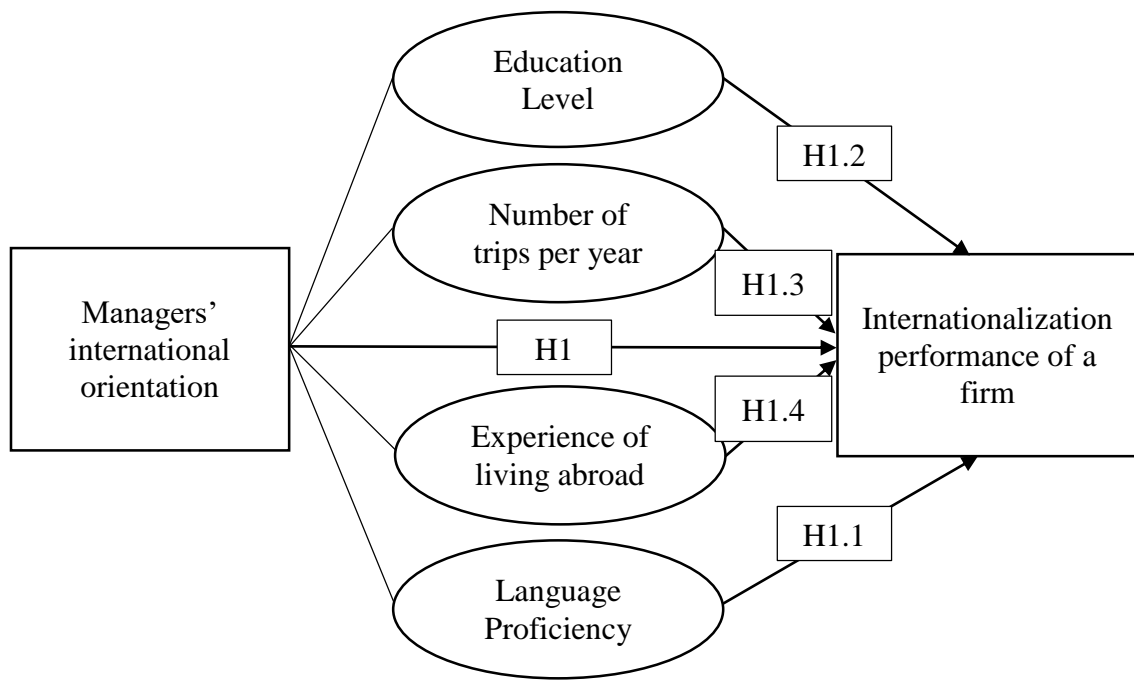


Figure 1.4. The hypotheses relationships

The arrows on figure 1.4 are representing the direction of the influence of the independent variables of the managers' international orientation on the internationalization performance of a firm. The methodology of the conducted research will be explained in the next section of the master thesis.

2. STUDY OF INFLUENCE OF MANAGERS' INTERNATIONAL ORIENTATION ON FIRM INTERNATIONAL PERFORMANCE

2.1. Data collection & descriptive statistics

The research includes both primary and secondary data. The empirical analysis was performed on the Spanish manufacturing companies, which are mainly situated in Catalonia. For the initial collection of the firms was used the ACICSA database, which accounted for the 2763 firms. After that, the MNCs subsidiaries were eliminated. The sample reflects the structure of the Spanish industrial system with a significant share of the SMEs with a small portion of enterprises of larger scale. This helps not to focus on the SMEs only but on a whole spectrum of Spanish companies. The sample doesn't include the service companies and MNCs subsidiaries. The financial results were triangulated with the SABI database in order to ensure the reliability of the collected data (Freixanet, 2012).

This master thesis targets only the manufacturing exporting companies. The exporting activities of a manufacturing firm are significantly easier to track because of the material character of the goods produced. The tracking of exporting activities of a service company type is not a trivial task (White et al., 1998).

The starting point of the research was the collection of a relevant dataset. For this purpose, the survey of Spanish manufacturing firms was carried out in 2005. After the cleaning of the dataset from the MNCs subsidiaries, 1874 manufacturing were left. The first mailing of questionnaire resulted in 215 answers at 17.77% response rate. A second mailing of 400 questionnaires accounted for 57 usable answers. The final sample consisted of 272 firms with 22.48% response rate (Freixanet, 2012).

One company was excluded from the analysis due to the unrealistic export intensity values across 10 year time period. The surveyed 271 companies represent 18 sectors of Spanish Economy, which are represented in Table 2.1.

The primary data collection was aimed at surveying of the exporting managers of the Spanish manufacturing firms. As the result of the survey, the five main determinants of the managers' international orientation were measured. They include number of trips per year conducted by the manager, number of months an exporting manager lived abroad, dichotomous variable, which expresses the desire of an exporting manager to repeat the experience of living abroad, the educational level of an exporting manager, which consists of 4 levels, and, last but not the least, the number of languages exporting manager is proficient in.

The secondary data was collected from the ACICSA & SABI databases, which includes financial data. The export intensity variable was derived from the following formula:

$$\text{Export intensity} = \text{Export sales} \div \text{Total sales} \times 100\% \quad (1)$$

According to (Knight and Cavusgil, 2004), a company could be regarded as a born global if it has started exporting in the first three years after the foundation. Based on the year of foundation and number of years a company exports its products, it's possible to identify the number of born-globals inside the sample. There are 28 born-globals or rapidly internationalizing firms out of 271 firms surveyed, which account for 10.33% of total.

Table 2.1

Industries represented by the sample

| Industry | Number of companies | % of Total |
|--|----------------------------|-------------------|
| Food industry | 30 | 11.07 |
| Automobile industry, spare parts and workshops | 9 | 3.32 |
| Communication and Graphical Arts | 12 | 4.43 |
| Detergents, perfumery and pharmacies | 7 | 2.58 |
| Electronics | 7 | 2.58 |
| Metal products | 27 | 9.96 |
| Precision Instruments and Optics | 11 | 4.06 |
| Manufactures and commerce in general | 11 | 4.06 |
| Machinery and electrical equipment | 52 | 19.19 |
| Construction Materials | 4 | 1.48 |
| Materials, Minerals and Fuels | 2 | 0.74 |
| Furniture | 16 | 5.9 |
| Paper and cardboard | 6 | 2.21 |
| Fur and Leather | 2 | 0.74 |
| Plastic and Rubber | 16 | 5.9 |
| Chemical Products and Paint | 24 | 8.86 |
| Industrial Supplies | 1 | 0.37 |
| Textile | 34 | 12.55 |
| Total: | 271 | 100% |

The respondent companies represent almost every industry. The sample tends to skew towards Machinery and electrical equipment (52 or 19.19%), Textile (34 or 12.55%), Food Industry (30 or 11.07%), Metal products (27 or 9.96%), Chemical Products and Paint (24 or 8.86%). This fact could be attributed to the much favorable exporting conditions for these products.

Survey data covers the 10 years period (between 2004 and 2014). The sampling criteria chosen were the amount of international sales, the percentage of exports to total sales, company size, size of the export department, number of years of exporting activities of a company.

The survey targets the key decision-makers of the companies, which influence the internationalization strategy of a firm. From the Literature review, we can derive that in SMEs the CEO often unites different positions and his attitudes towards the internationalization greatly influence the internationalization strategy of a firm. The aim of the survey to get the values of the global orientation of the manager, such as international experience, travels abroad, foreign languages proficiency, education and other parameters, which were mentioned in the conceptual model in Chapter 1.

The main characteristics of the collected firms are presented in Table 2.2.

Table 2.2

Descriptive Statistics of Firms Performance in the collected Sample

| Factor | Median | Max | Min | Standard Deviation |
|----------------------------|--------|----------|---------|--------------------|
| Establishment Date | 1978 | 2009 | 1904 | 27.52 |
| Percentage of Exports 2004 | 22% | 94% | 0 | 24.3% |
| Percentage of Exports 2005 | 21% | 99% | 0 | 23.3% |
| Percentage of Exports 2006 | 21% | 98% | 0 | 22.5% |
| Percentage of Exports 2007 | 21.91% | 96% | 0 | 21.4% |
| Percentage of Exports 2008 | 23.62% | 96% | 0 | 21.3% |
| Percentage of Exports 2009 | 24% | 99% | 0 | 22.5% |
| Percentage of Exports 2010 | 22% | 96% | 0 | 22.28% |
| Percentage of Exports 2011 | 23.44% | 96% | 0 | 21.71% |
| Percentage of Exports 2012 | 22.31% | 96% | 0 | 23% |
| Percentage of Exports 2013 | 21% | 97% | 0 | 22.78% |
| Percentage of Exports 2014 | 20% | 99% | 0 | 23.26% |
| Net income 2010 | 46.715 | 30080 | -60259 | 4622.417 |
| Net income 2011 | 36 | 19408 | -83539 | 7380.635 |
| Net income 2012 | 33 | 14015.54 | -237901 | 15132.76 |
| Net income 2013 | 29 | 23455 | -641598 | 40728.08 |
| Net income 2014 | 55.23 | 31196 | -242998 | 15948.36 |

The collected sample consists of long-standing enterprises as well as of quite young firms. The oldest firm in the sample (“ERCROS INDUSTRIAL, S.A.”) was founded in 1904. The youngest firm is “Albet I Noya, S.A.T.”, founded in 2004.

The degree of internationalization of the firms in the sample varies from 0 to 96-99 % with a mean of 27.5%. It’s important to note that sample is represented not only by the experienced exporting firms but by non-exporters too. On average the firms export around 1/5th – 1/4th of the goods produced.

In terms of net income, the companies in the sample on average are not successful. This could be caused by the Great Recession in Spain as the general net income trends follow the Real GDP fluctuations (Eurostat, 2017). Despite the crisis, 173 companies had a positive net income in 2013.

The questionnaire included the questions for measuring their international orientation. All the dependent and independent variables are represented in the table 2.3.

Table 2.3

Variables used in the analysis

| Variable | Role | Type | SPSS abbreviation |
|---|-------------|-------------|--------------------------|
| Export intensity | Dependent | Numeric | pexp_year |
| Level of studies | Independent | Ordinal | ed_level |
| Master degree (5 years) | Independent | Dichotomous | ed_1 |
| Specialist (4 years) | Independent | Dichotomous | ed_2 |
| Bachelor degree (3 years) | Independent | Dichotomous | ed_3 |
| High school | Independent | Dichotomous | ed_4 |
| Number of languages | Independent | Ordinal | num_lang |
| English proficiency | Independent | Dichotomous | lang_eng |
| German proficiency | Independent | Dichotomous | lang_ger |
| French proficiency | Independent | Dichotomous | lang_fr |
| Italian proficiency | Independent | Dichotomous | lang_it |
| Other language proficiency | Independent | Dichotomous | lang_other |
| Number of trips per year | Independent | Numeric | trips |
| Months lived abroad | Independent | Numeric | months |
| Wants to repeat the experience of living abroad | Independent | Dichotomous | repeat_exp |

For the understanding of the education influence on the firm's internationalization performance, the export decision-makers were asked to indicate their level of studies. The results are represented in Table 2.4.

Table 2.4

Level of Studies of the Export Manager

| Level of Studies | Number of Respondents | Percentage of Total |
|-------------------------|------------------------------|----------------------------|
| Licenciado (Specialist) | 99 | 36.8% |
| Master's Degree | 78 | 29% |
| Diplomado (Bachelor) | 66 | 24.54% |
| Graduado (High School) | 26 | 9.66% |
| Total: | 269 | 100% |

The biggest part consists mainly of exporting managers with the “licenciado” level of studies, which equals to the specialist level in Russia and accounts for 36.8%. It's followed by the Master Degree managers (29%) and “diplomado” (24.54%), which is roughly equal to the Bachelor level of studies. From here it's possible to arrive at the conclusion that most exporting managers in a sample have at least bachelor level of studies (90.34%). Only 9.66% of the surveyed decision-makers stopped their educational path after the high school.

The dimension of exposure to the foreign cultures is measured by the months lived abroad and trips abroad per year. The descriptive statistics for this dimension is summarized in Table 2.5.

Table 2.5

Descriptive statistics of foreign cultures exposure

| Variable | Mean | Median | Max | Min | Standard Deviation |
|---------------------------------|--------|--------|-----|-----|--------------------|
| Number of trips abroad per year | 10.675 | 9 | 50 | 0 | 9.07 |
| Months lived abroad | 9.15 | 0 | 300 | 0 | 27.7 |

According to the sample, on average an exporting manager of SMEs makes around 10-11 trips abroad. The sample is represented by both opposite kinds of managers – the sophisticated “travelers” and managers, who prefer to stay in the home country. By interpreting standard deviation of this sample, it’s not common for an exporting manager to make less than 1 trip or more than 20 trips per year.

The same situation could be observed on the variable of months spent abroad. An average exporting manager in the sample lived abroad around 9 months. Most of the managers surveyed tend not to live outside of Spain even for short periods of time. As with a number of trips, the sample represents managers who like to live abroad and others, who prefer staying in the home country. It worth to note that there exists high standard deviation, which accounts for more than two years interval.

In addition to the experience of living abroad, an extra variable was added to measure the desire of the managers to repeat this experience. The results are presented on figure 2.1.

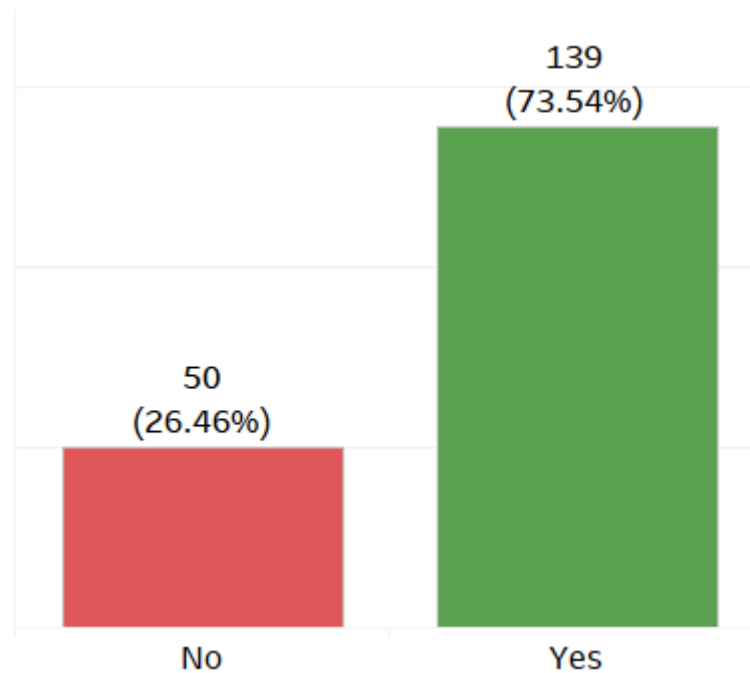


Figure 2.1. SPSS output of repeat_exp variable

80 managers didn't answered on this question (29.74%). 139 managers would like to repeat the experience of living abroad (51.67%). 50 managers prefer not to repeat their living abroad and account for 18.59%.

Level of studies variable needs the additional clarification. This ordinal variable consists of 4 levels of education. The values range from the lowest level (1), which attributes to the High School Education, to highest – Master Degree.

Number of languages variable is also constructed from the dichotomous variables, which described the ability of a manager to speak a particular language. The variable counts only the languages, in which the manager is at least proficient. On figure 2.2 are visually represented the distributions of exporting managers by the number of languages they are proficient in.

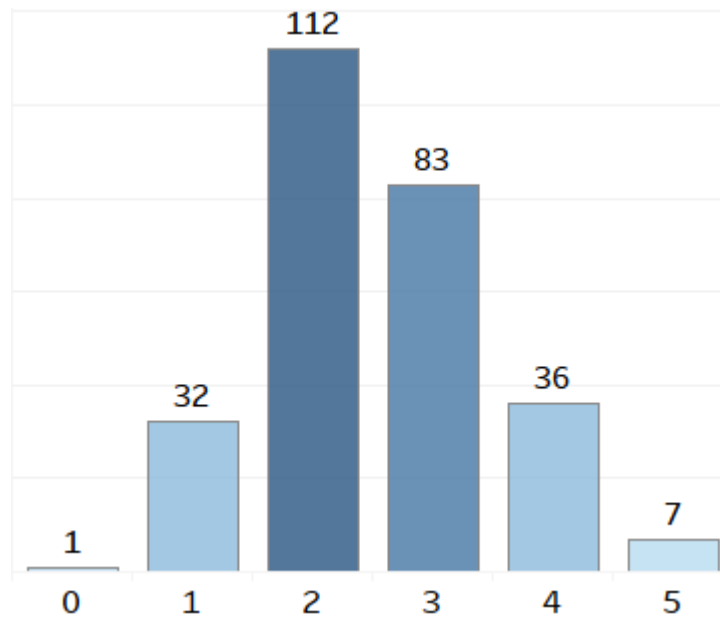


Figure 2.2. Number of languages spoken by the exporting managers

32 managers speak at least one language and account for 11.81% of total. 112 managers are proficient in two languages and represent the majority of the exporting managers in a sample (41.33%). They are followed by the managers, who speak at least 3 languages (30.63%). 36 managers speak 4 languages (13.28%). 7 managers speak 5 languages and more. 7 polyglots (2.58%) and a single manager (0.37%), who doesn't speak any foreign language, represent less than 3% of the sample. Generally, the main trend is that a majority of exporting managers in Spanish manufacturing firms are proficient in 2-3 foreign languages. The languages frequency distribution is represented on figure 2.3.

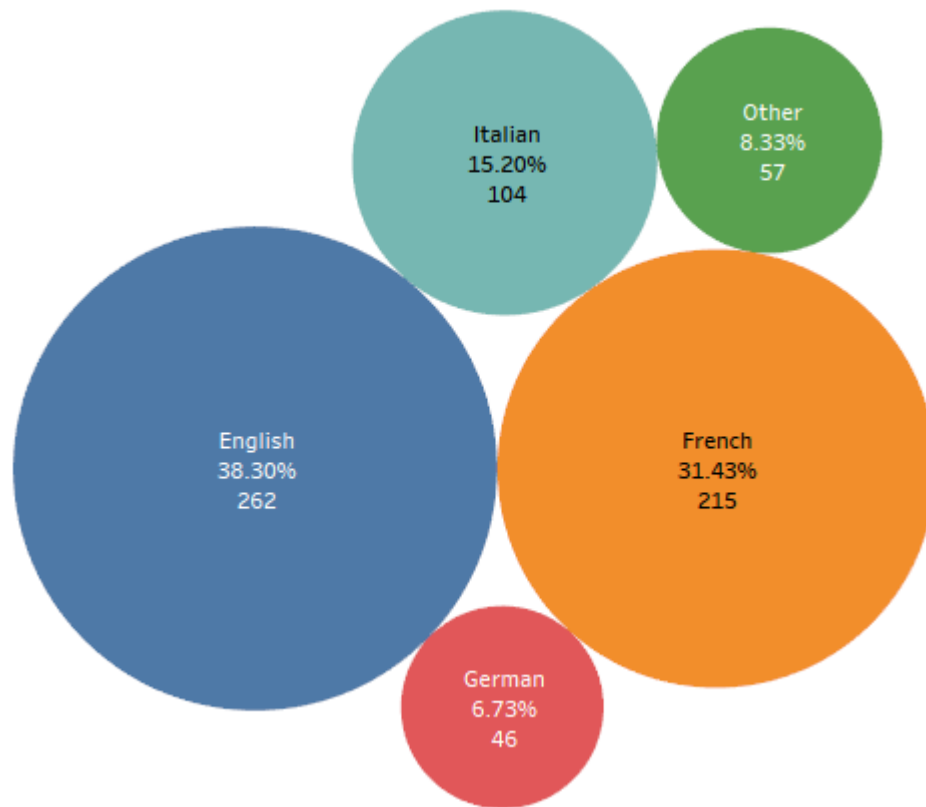


Figure 2.3. Languages frequency distribution among exporting managers

English holds a dominant position as a business language among the Spanish exporting managers (38.3%). This could be explained with the flexibility of English language and its position in the business communication. This explanation is supported by Cahen et al. (2016). English is followed by French (31.43%). The third place is taken by Italian (15.2%). The Uppsala model recognized the trend of exporting firms to start their internationalization activities in culturally and geographically close markets (Johanson & Vahlne, 1977). The choice for the French and Italian languages could be explained by the cultural and geographical proximity to Spain. In addition, French, Italian and Spanish are representatives of Romance languages, which makes them easier to learn by the Spanish exporting managers. German is in the fourth place with 6.73%. The fifth category includes the other languages, in which the exporting managers are proficient (8.33%).

2.2. Design

With the help of the literature review was build a conceptual model of the influence of the global orientation determinants on the firms' internationalization performance. However, it neither gives the quantified result nor predicts the internationalization performance.

There exist two contradicting approaches to measurement of the global reach of the companies. One of the common approaches is to measure the export intensity (Lu & Beamish,

2001). Export intensity is a ratio of international sales to total sales of the company. This measure is used widely because it's much easier to obtain from privately owned enterprises than getting profits and market share. According to Brouthers et al. (2009), the internationalization intensity indicates the degree internationalization rather than internationalization performance. The firm could have a large percentage of the foreign sales but still, experience a financial decline from these operations. The authors suggest using the percentage of foreign sales as an independent variable to measure the multinationality of a firm. As an internationalization performance measure, they suggest the subjective responses of the firms' CEOs. Authors emphasize the correlations between the subjective responses and the objective firms' export performance. In this thesis the Lu & Beamish approach would be used, in other words, internationalization intensity would be used as a proxy variable to the internationalization performance.

By measuring the correlation between determinants of the global orientation of the manager and firm's internationalization performance, we would be able to find the relationships between variables. Additionally, the regression model would be applied to find out the influence of determinants within managers' international orientation construct.

As a control variable, the ratio of Global Sales to Total Sales would be used to measure the accuracy of the results of build regression model. This approach is a common way of measurement of internationalization in the field (Fernhaber, 2013). This variable will be used to quantify the degree of the internationalization of a firm.

2.3. Data analysis

The collected data is analyzed in several steps. Firstly, the analysis of correlations was carried out in order to identify the direct linear relationships between the determinants of managers' global orientation and firms' internationalization performance by the means of scatterplot diagrams and correlation matrix.

Secondly, to analyze the causal relationships between the chosen variables the regression model will be used. Alternatively, if there would be no statistically significant correlation between the individual variables and firms performance the global orientation construct would be built upon the variables such as foreign languages proficiency, months lived abroad, trips abroad per year, the level of education, etc.

3. EMPIRICAL STUDY OF THE INFLUENCE OF MANAGERS' INTERNATIONAL ORIENTATION ON THE INTERNATIONALIZATION PERFORMANCE OF A FIRM

3.1. Testing of hypotheses

Prior to the actual testing, the collected data needs to be conformed to the testing assumptions. According to the Osbourne & Waters (2002), the data for the Multiple Regression analysis should pass the following assumptions:

- normality assumption;
- linearity assumption;
- reliability assumption;
- homoscedasticity assumption.

For testing of the normality of the variables were used the Kolmogorov-Smirnov and the Shapiro-Wilk tests. The output of the SPSS is summarized on a Table 3.1.

Table 3.1

The output of Shapiro-Wilk & Kolmogorov-Smirnov Normality Tests

| | Kolmogorov-Smirnov ^a | | | Shapiro-Wilk | | |
|------------|---------------------------------|-----|------|--------------|-----|------|
| | Statistic | df | Sig. | Statistic | df | Sig. |
| ed_1 | .430 | 123 | .000 | .590 | 123 | .000 |
| ed_2 | .409 | 123 | .000 | .610 | 123 | .000 |
| ed_3 | .478 | 123 | .000 | .518 | 123 | .000 |
| ed_4 | .535 | 123 | .000 | .303 | 123 | .000 |
| trips | .143 | 123 | .000 | .868 | 123 | .000 |
| months | .376 | 123 | .000 | .315 | 123 | .000 |
| repeat_exp | .470 | 123 | .000 | .533 | 123 | .000 |
| lang_eng | .535 | 123 | .000 | .106 | 123 | .000 |
| lang_ger | .493 | 123 | .000 | .484 | 123 | .000 |
| lang_fr | .504 | 123 | .000 | .455 | 123 | .000 |
| lang_it | .384 | 123 | .000 | .626 | 123 | .000 |
| lang_other | .466 | 123 | .000 | .540 | 123 | .000 |
| num_lang | .232 | 123 | .000 | .888 | 123 | .000 |
| pexp_2004 | .099 | 123 | .005 | .939 | 123 | .000 |
| pexp_2005 | .092 | 123 | .012 | .931 | 123 | .000 |
| pexp_2006 | .097 | 123 | .006 | .924 | 123 | .000 |
| pexp_2007 | .106 | 123 | .002 | .928 | 123 | .000 |
| pexp_2008 | .103 | 123 | .003 | .931 | 123 | .000 |
| pexp_2009 | .094 | 123 | .009 | .931 | 123 | .000 |
| pexp_2010 | .115 | 123 | .000 | .932 | 123 | .000 |
| pexp_2011 | .092 | 123 | .012 | .935 | 123 | .000 |
| pexp_2012 | .095 | 123 | .008 | .929 | 123 | .000 |
| pexp_2013 | .122 | 123 | .000 | .919 | 123 | .000 |
| pexp_2014 | .111 | 123 | .001 | .919 | 123 | .000 |

According to Kolmogorov-Smirnov test, the data is not normally distributed across all the variables as the significance is lower than 0.2, which is a lower bound of this test. The Shapiro-Wilk test shows the same results ($p < 0.0001$).

As the data violates the assumption, the interpretation of the regression results must be taken with caution because non-normally distributed variables distort relationships and significance tests (Osbourne & Waters, 2002). Although, it doesn't forbid the usage of the multiple regression analysis.

For testing of the linearity of the data the scatterplot method was used. The three examples of the scatterplots are represented on figures 3.1 – 3.3.

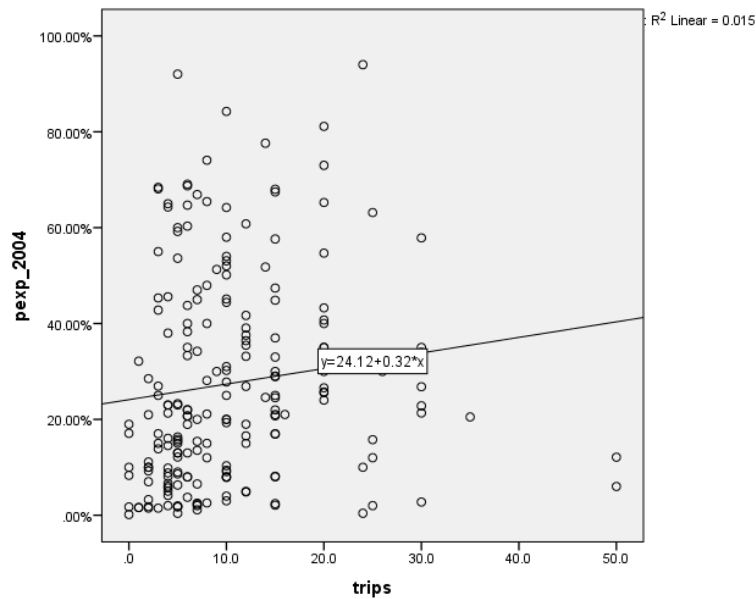


Figure 3.1. Scatterplot of Percentage of Exports (2004) to Number of Trips per year

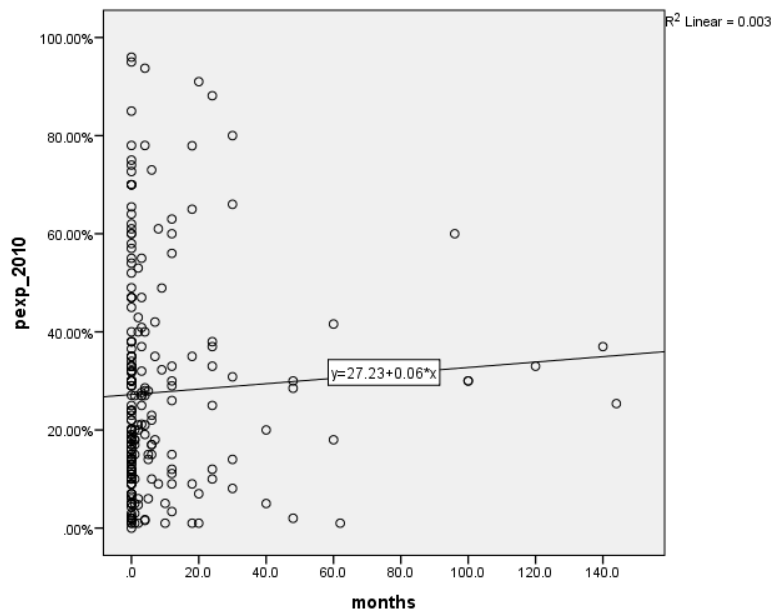


Figure 3.2. Scatterplot of Percentage of Exports (2010) to Number of Months Abroad

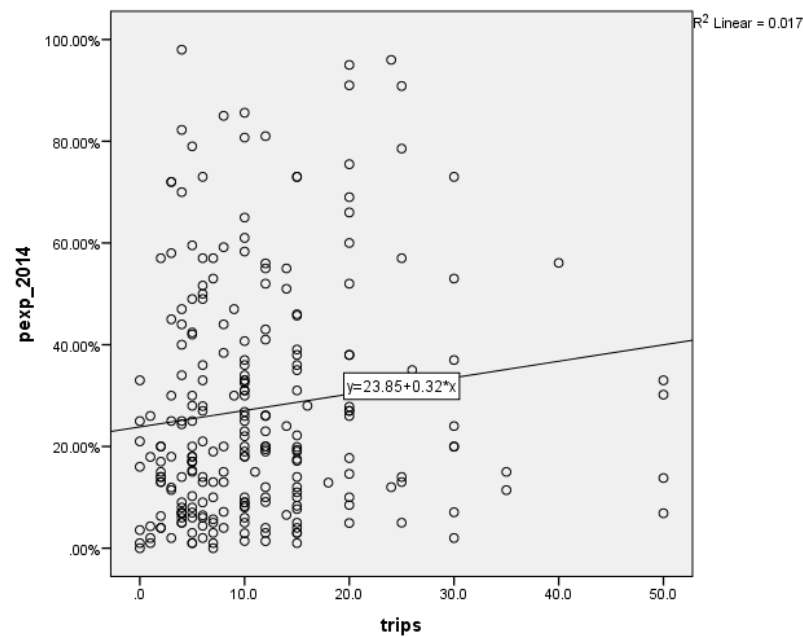


Figure 3.3. Scatterplot of Percentage of Exports (2014) to Number of Trips per year

From the scatterplots it's possible to make a conclusion that there are no linear relationships between the continuous variables. This means that running linear regression should be taken with caution. The regression model will slightly overestimate or underestimate the explanation of the variance (R^2). Because of the nature of the data, the non-parametric correlations were tested. Correlations were followed by the multiple linear regression analysis.

The data has violated the assumption of normal distribution and linearity. Additionally, the list of independent variables consist of not only continuous variables (trips, months, percent of exports) but also of the dichotomous variables (language, education, repeat_exp). Because of this the Pearson product-moment Correlation couldn't be used. Instead the Spearman rank-order correlation is used in determining of the existing relationships between the variables. The results of the Spearman rank-order correlation test could be observed in table 3.2. The statistically significant results are marked bold.

Table 3.2

The output of Spearman rank-order correlation test

| Variable | Coefficients | ed_level | num_lang | trips | months | repeat_exp |
|------------|-------------------------------------|--|--|--|----------------------|--|
| p_exp_2004 | Correlation Sig. (2-tailed) N | .108 .126 202 | .151* .031 204 | .258** .000 202 | -.025 .729 188 | -.186* .026 142 |
| p_exp_2005 | Correlation Sig. (2-tailed) N | .167** .006 268 | .178** .003 270 | .283** .000 267 | .070 .277 246 | -.096 .192 188 |
| p_exp_2006 | Correlation Sig. (2-tailed) N | .163** .008 268 | .161** .008 270 | .272** .000 267 | .069 .284 246 | -.096 .190 188 |
| p_exp_2007 | Correlation Sig. (2-tailed) N | .159** .009 268 | .174** .004 270 | .260** .000 267 | .057 .370 246 | -.086 .238 188 |
| p_exp_2008 | Correlation Sig. (2-tailed) N | .171** .006 260 | .147* .017 262 | .256** .000 259 | .051 .430 239 | -.144 .126 181 |
| p_exp_2009 | Correlation Sig. (2-tailed) N | .145* .02 259 | .167** .007 261 | .250** .000 258 | .044 .500 238 | -.058 .436 180 |
| p_exp_2010 | Correlation Sig. (2-tailed) N | .145* .021 254 | .181** .004 256 | .269** .000 253 | .059 .369 233 | -.044 .559 175 |
| p_exp_2011 | Correlation Sig. (2-tailed) N | .117 .063 252 | .151* .016 254 | .245** .000 251 | .036 .588 231 | -.014 .856 174 |
| p_exp_2012 | Correlation Sig. (2-tailed) N | .141* .026 250 | .171** .007 252 | .214** .000 249 | .073 .269 229 | -0.03 .972 174 |
| p_exp_2013 | Correlation Sig. (2-tailed) N | .161* .011 248 | .161* .011 250 | .195** .002 247 | .076 .254 227 | .023 .762 172 |
| p_exp_2014 | Correlation Sig. (2-tailed) N | .165** .009 247 | .154* .015 249 | .184** .004 246 | .106 .113 226 | -.032 .681 171 |

The correlation coefficients between the variables are mostly indicating weak relationships. The strongest relationship exists between number of trips conducted by an exporting manager per year and percentage of exports to total volume of sales. The strongest correlation (.283) could be observed in 2005 – the year of the collection of this data. Despite the fact that correlations are weak it's possible to say that there is positive and statistically significant relationship between the number of trips and export performance. The effect can be observed over the 10 years period.

The second variable, which has positive and statistically significant relationship, is the number of languages. The variables are less dependent on each other, but nevertheless correlation coefficient indicate weak relationship across the 10 years period. There always exists a possibility that one particular language could be the dominant one in terms of influence on the export performance. In order to test this assumption, the additional correlation test was taken. It studied the relationships between a particular language and export performance. The influence of the

particular languages was examined in an additional correlation tests sequence, which is represented in table 3.4.

Table 3.4

SPSS Output of Languages Proficiency Non-parametric Correlations

| | | | Pexp_2005_transformed |
|----------------|------------------------|-------------------------------------|--|
| Spearman's rho | Pexp_2005_transformed | Correlation Sig. (2-tailed) N | 1.000 . 271 |
| | Lang_eng_transformed | Correlation Sig. (2-tailed) N | .138* .023 271 |
| | Lang_ger_transformed | Correlation Sig. (2-tailed) N | -.138* .023 271 |
| | Lang_fr_transformed | Correlation Sig. (2-tailed) N | .028 .652 271 |
| | Lang_it_transformed | Correlation Sig. (2-tailed) N | -.129* .034 271 |
| | Lang_other_transformed | Correlation Sig. (2-tailed) N | -.108 .075 271 |

These correlation tests indicate a weak positive and statistically significant relationship between English proficiency and export intensity. German and Italian languages indicate negative weak relationships. French and Other languages variables seem to have no statistical significant correlation with export intensity.

The third determinant of international orientation is the educational level of an exporting manager. The weak positive and statistically significant relationship could be observed across the 8 years out of 10. The strength of the relationship is slightly smaller than in language proficiency. The influence of a certain educational level was studied by additional correlation tests, which differentiated between the levels of studies. The SPSS output is represented in table 3.5.

Table 3.5

SPSS Output of Education Level Non-parametric Correlations

| | | | Pexp_2005_transformed |
|----------------|-----------------------|-----------------|-----------------------|
| Spearman's rho | Pexp_2005_transformed | Correlation | 1.000 |
| | | Sig. (2-tailed) | . |
| | | N | 271 |
| | Ed_1 | Correlation | .149* |
| | | Sig. (2-tailed) | .014 |
| | | N | 269 |
| | Ed_2 | Correlation | -.018 |
| | | Sig. (2-tailed) | .773 |
| | | N | 269 |
| | Ed_3 | Correlation | .060 |
| | | Sig. (2-tailed) | .325 |
| | | N | 269 |
| | Ed_4 | Correlation | -.112 |
| | | Sig. (2-tailed) | .066 |
| | | N | 269 |

From the education level non-parametric correlation it's possible to arrive into the conclusion that Master Level of Education has a positive and statistically significant relationship with the export intensity. Other levels of education seems to have no statistically significant relationships.

The forth variable was completely irrelevant for the determination of export performance. The experience of living abroad of an exporting manager doesn't show any statistically significant relationship to the firms' export performance. Eventually, the desires of the manager to repeat the experience of living abroad also don't have the statistically significant relationship.

In accordance with the correlation tests, the regression model was built. The regression model could be explained by the following equation:

$$perc_exp_2005 = constant + \beta_1 \times trips + \beta_2 \times ed_level + \beta_3 \times num_lang \quad (2)$$

Additionally, the variables with languages and education level distributions among managers were introduced into the model. The characteristics of regression model are represented in table 3.5.

Table 3.5

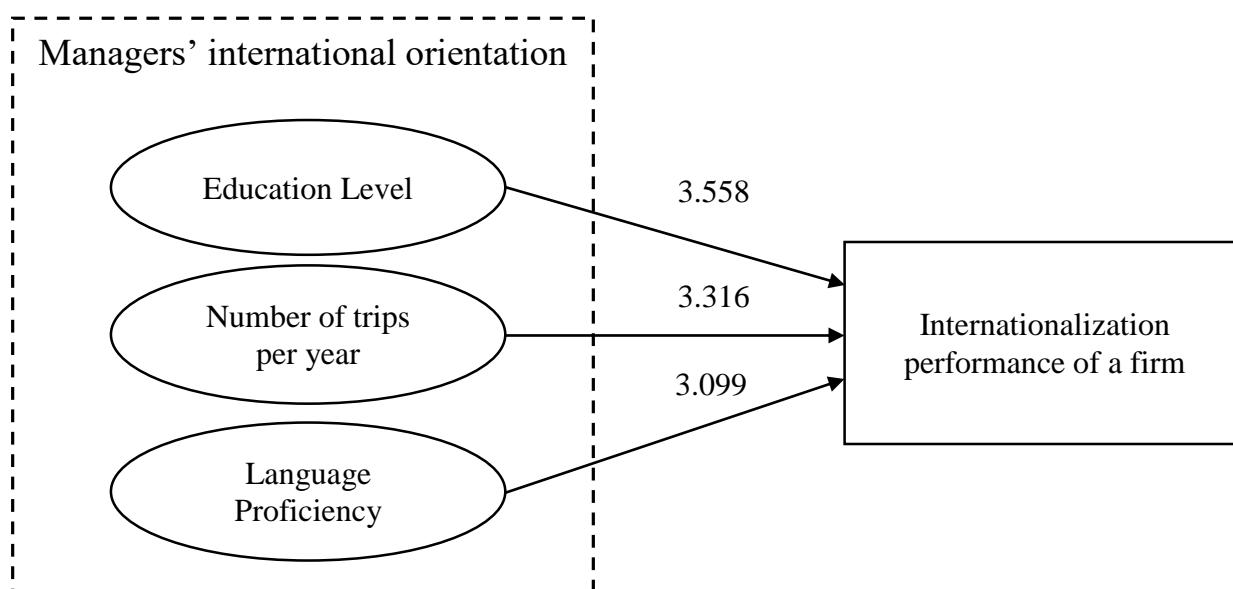
Managers' international orientation regression model with focus on High School Education

| Variables | Coefficient | Std. Error | Sig. |
|-------------------------|-------------|------------|------|
| Constant | 9.123 | 5.506 | .099 |
| Trips | 3.316 | 1.425 | .021 |
| Education Level | 3.558 | 1.491 | .018 |
| Number of Languages | 3.099 | 1.450 | .033 |
| R | .282 | - | |
| R ² | .08 | - | |
| Adjusted R ² | .069 | - | |
| F | 7.703 | - | .000 |

The model is statistically significant with $F=7.703$, $p \leq 0.0001$. The adjusted R^2 is equal to 0.069, which is quite low.

This regression model is visualized in the figure 3.4. This multiple regression model can be expressed in the following equation:

$$\text{Export Intensity}_{2005} = 3.316 \times \text{trips} + 3.558 \times \text{ed_level} + 3.099 \times \text{num_lang} \quad (3)$$

**Figure 3.4 – The results of the first Multiple Regression Model**

Taking into the account, the negative correlation of the High School level of education and the exporting performance of a firm, the alternative regression model was built. This model rejects the Educational Level variable and uses the High School Education Level instead.

Table 3.5

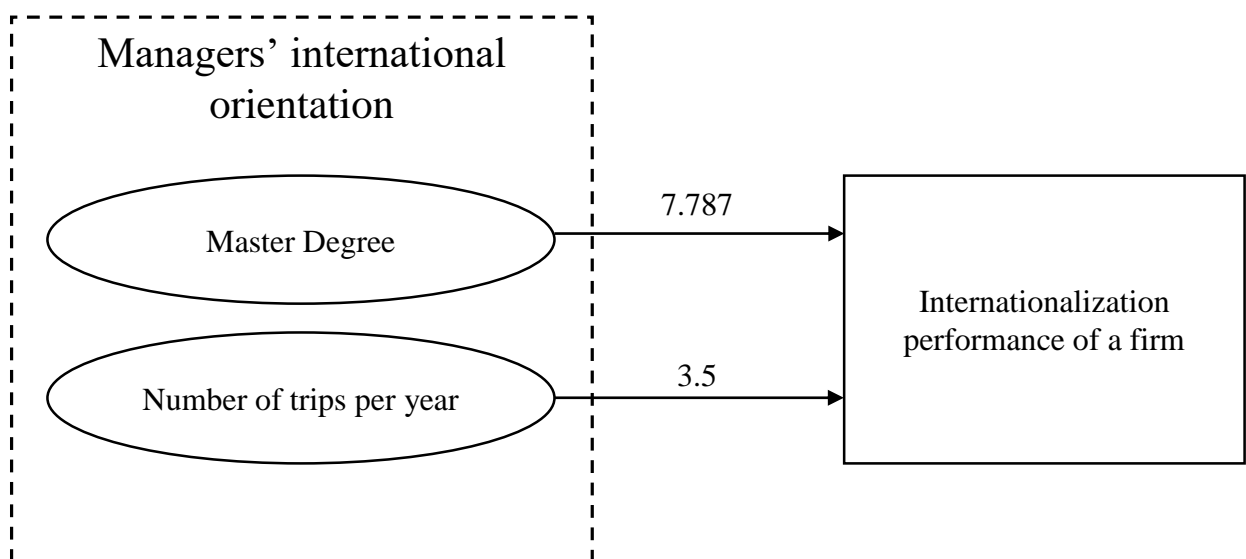
Managers' international orientation regression model with focus on High School Education

| Variables | Coefficient | Std. Error | Sig. |
|-------------------------|-------------|------------|------|
| Constant | 17.924 | 3.962 | .000 |
| Trips | 3.5 | 1.410 | .014 |
| Master Degree | 7.834 | 3.086 | .012 |
| Number of Languages | 2.787 | 1.451 | .058 |
| R | .282 | - | |
| R ² | .079 | - | |
| Adjusted R ² | .069 | - | |
| F | 7.605 | - | .000 |

A regression analysis was run to identify the relationships between the percentage of exports in 2005 and independent variables: number of trips per year, high school education, and number of languages he is able to speak. These independent variables were significant in identification of the relationship. Other variables were insignificant to the percentage of exports (particular language and level of education). The model is statistically significant with $F = 7.605$, $p \leq 0.0001$. The adjusted R^2 value is quite low. This model explains only 6.9% of the variance.

This regression model is visualized in the figure 3.5. The alternative multiple regression model can be expressed in the following equation:

$$Export\ Intensity_{2005} = 17.924 + 3.5 \times \text{trips} + 7.787 \times \text{ed}_1 \quad (4)$$

**Figure 3.5 – The results of the second regression model**

The second multiple regression model focuses implicitly on the influence of a Master Degree with a number of trips per year conducted by an exporting manager as a complimentary predicting variable. The number of languages were statistically insignificant for the prediction of the export intensity of a firm.

3.2. Discussion of the results

At the very beginning of the research, the main hypothesis with 4 sub-hypotheses were proposed (see fig. 1.4). This research utilized the Spearman's rank correlation tests and Forward Stepwise Multiple Regression models to test the proposed hypotheses. After the analysis several dependent variables were proved to be statistically significant, while other were not. The statistically significant variables prove the hypotheses, while statistically insignificant variables are irrelevant to the current research. The results of the analysis are summarized in table 3.6.

Table 3.6

The results of hypotheses testing

| № | Hypothesis | Result | Relationship |
|-------|---|-----------|-----------------|
| H 1 | The managers' international orientation positively influences the internationalization performance of a firm. | Confirmed | Positive |
| H 1.1 | Foreign language proficiency positively influences the internationalization performance of a firm. | Confirmed | Positive |
| H 1.2 | Level of education positively influences the international performance of a firm. | Confirmed | Positive |
| H 1.3 | Manager's traveling abroad positively influences the international performance of a firm. | Confirmed | Positive |
| H 1.4 | Manager's experience of living abroad positively influences the international performance of a firm. | Rejected | No relationship |

The regression models helped to identify the relationship between the managers' international orientation determinants and the internationalization performance of a firm. On the basis of the correlation tests and forward stepwise multiple regression models, the main hypothesis (H1) is supported by the empirical evidence.

The statistical tests of the languages proficiency show the positive influence of the number of languages on the internationalization performance, which support the H1.1 hypothesis. The number of languages was one of the statistically significant predictors in the regression model №1.

But this variable was rejected by the stepwise regression model №2, where it became insignificant with a $p \leq 0.058$. Despite the rejection by the second model, the number of languages has a positive relationship with internationalization performance on the basis of the correlation tests and first regression model.

Most of the surveyed exporting managers speak at least 2 or 3 foreign languages in addition to Spanish. The correlations tests between the particular language proficiency and internationalization performance have shown the positive relationship of the English language, but negative of Italian and German. The possible explanation for these results is the dominance of the English language in business communications. In many cases, English proficiency is enough for a successful internationalization performance (Cahen et. al, 2016). However, particular language proficiency variables were rejected by the both regression models as not significant predictors. In other words, a number of languages spoken by a manager have a much better prediction power than any language in particular.

The correlation tests with a focus on the Education Level of an exporting manager helped to identify that Master Degree has a positive relationship with the export performance. These tests support the H1.2 hypothesis. Of course, it's not possible to imply the causal relationship between the variables. Still, there is a clear relationship: the higher level of education has an exporting manager the higher export performance could be achieved by a firm. These results support the discussion in the domain as an argument for the influence of education on internationalization performance (Herrman & Datta, 2005; Ganotakis & Love, 2012; Story et al., 2014).

A number of trips conducted by a manager have shown the highest correlation among the tested independent variables. Additionally, trips variable is regarded as a significant predictor in both regression models. From these facts, it's possible to arrive at the conclusion that a number of trips positively influence the percentage of exports of a firm. Therefore, the H1.3 hypothesis is supported by the empirical evidence.

The experience of an exporting manager of living abroad has no influence on the internationalization performance of a firm in a collected sample of Spanish manufacturers. The H1.4 hypothesis is rejected by the correlation tests and two regression models. Therefore, the master thesis haven't found a sufficient evidence towards the idea that exposure to the foreign culture and living abroad have a positive impact on the internationalization performance of a firm.

The empirically supported managers' international orientation construct is represented in figure 3.6. The positivity and negativity are represented with plus and minus signs correspondingly.

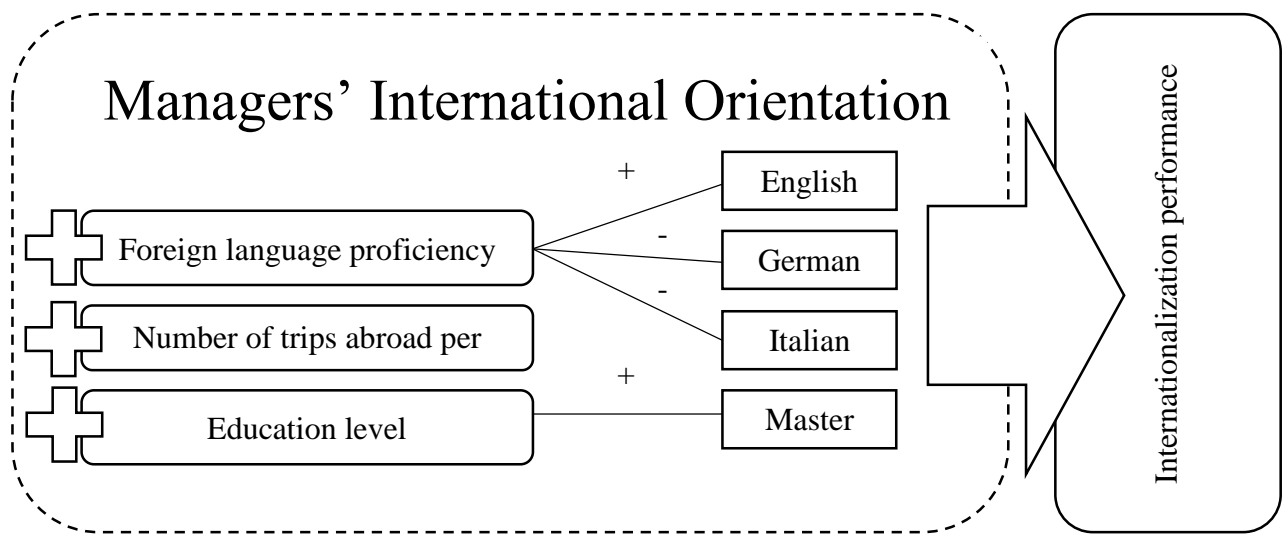


Figure 3.6 – The managers' international orientation construct supported by empirical evidence

To sum up, the main hypothesis (H1) was supported by the Spearman's rank correlation tests and Forward Stepwise Multiple Regression models. However, not every determinant was statistically significant for the prediction of export intensity. For instance, the desire of an exporting manager to repeat the experience of living abroad, as well as the experience of living abroad itself (H1.4), were not included in both regression models and don't have any correlations with export performance across the 10 years period.

The impact of a number of languages (H1.1) is positive and supported with both the correlation tests and the first regression model, especially the positive influence of English language, but negative of German and Italian. The level of education is positively related to the internationalization performance and supported by correlation tests and two regression models (H1.2). Traveling abroad has a positive relationship with internationalization performance, which is supported by the correlation tests and both regression models (H1.3).

3.3. Limitations and further research

The aim of the analysis was to identify the relationships between the determinants of international orientation and the internationalization performance. As the result, the regression model has been applied to the gathered data.

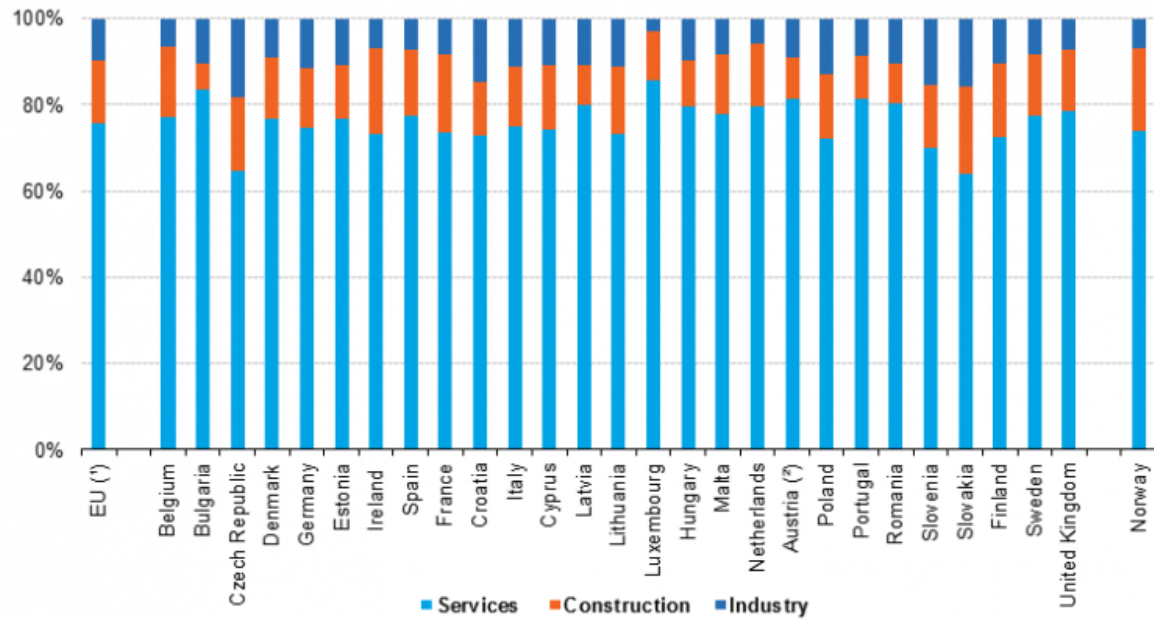
It's important to note that it's not, by all means, the prediction model. Both regression models explain only 6.9% of the variance. For a forecasting model, it's an extremely small amount.

Nevertheless, this adjusted R-squared value indicates that these global orientation determinants are responsible for around 7% of the determination of firms' export performance.

Definitely, there are much better variables for the prediction of the export performance, such as the international experience of an exporting manager, his working experience in operations, the size of the company, etc.

The goal of the study was to identify the influences of managers' international orientation on the internationalization performance of a firm. Unfortunately, the testing of causality between the variable is a not a trivial task. Correlations do not imply the direct causal relation (Aldrich, 1995). The possibilities of organization of the controlled experiments are extremely limited. The further research could potentially include the study of the causal relationships between the managers' international orientation determinants and firms' internationalization performance. The analysis of causal relationships will be able to identify if the managers' international orientation determinants cause an increase of internationalization performance. For instance, the relationship between a number of trips per year and internationalization performance is quite unclear. At the same time, it can be explained by multiple approaches. It could be the direct influence of the number of trips on the internationalization performance. The direction could be opposite, exporting results in increased number of trips. Additionally, there could be a third variable, which influences both a number of trips and internationalization performance. The most obvious explanation is that the number of trips and internationalization performance influence each other and are in a cyclical causal relationship. To sum up, correlations are a prerequisite for the identification of causal relationships, but, at the same time, the directions of causality are open to speculations.

An additional limitation of the research is the focus of the study on the manufacturing firms. According to the Eurostat, service companies accounts for around 78% of the EU total business economy ("Business demography statistics", 2015). The business demography of the EU is represented in figure 3.7.



(*) estimated
(?) provisional data

Figure 3.7. The EU business demography for 2014

From the figure 3.7, it's possible to arrive at the conclusion that manufacturing segment is a quite small portion of the EU economy. Taking into the account the dominance of the service sector in the EU, the study completely neglects the major sector of the economy.

Another limitation is the focus of the study in one particular country – Spain. This means that the study results couldn't be generalized on a larger scale and is applicable only to the Spanish manufacturing firms.

The introduction of the service companies to the future analysis could greatly improve the understanding of the role of managers' international orientation in the context of the EU economic structure. Additionally, the comparison between different states could broaden the scope of the research. The cross-country comparison would help to arrive at the more generalized result.

3.4. Managerial implications

From the managerial point of view, this master thesis indicates the relationships between the variables of managers' international orientation and firms' internationalization performance. From the correlation tests and regression analysis, it's possible to derive three main determinants of managers' international orientation – number of trips per year conducted by the manager, level of education and number of languages, in which exporting manager is proficient.

Despite the fact that the causation between the variables is difficult to prove under the limitations of observational study, the managers could get an image of the international

orientation's determinants, which influence the export performance. The proposed model could be used for the identification of the bottlenecks in international orientation of the managers. After the problem is identified, an exporting manager is able to address the issue accordingly.

From these three managers' international orientation determinants the education level and language proficiency may be of much higher practical interest for an exporting manager. Under the realities of the collected sample, only 29% of the respondents have Master Degree. The 9.66% of exporting managers have only completed the High School. For these managers, increasing of their educational level could be vital for the improvement of exporting process.

Additionally, the results of master thesis indicate the importance of English language proficiency and Master Degree for an exporting manager. The Master Degree is a significant predictor of the firm's export intensity.

4. CONCLUSION

In the master thesis, the internationalization process was characterized in the context of the main internationalization theories. The internationalization process is seen from 5 different perspectives, which correspond to the established internationalization theories in the field: Uppsala-model, OLI-paradigm, Transaction Cost Theory, Network Theory, and Entrepreneurship Theory. The traditional internationalization theories are mainly focused on MNCs' internationalization. Both MNCs and SMEs internationalization strategies are influenced by the managers' international orientation. The internationalization process of MNCs could be characterized as planned and aligned with the general strategy of a firm. At the same time, SMEs are different in their internationalization patterns. They are more spontaneous and unsystematic because of the lack of necessary information and experience. Their internationalization strategy to a greater extent is influenced by the managers' attitudes, characteristics, and perceptions due to increased importance of CEO of SME in decision-making procedures.

The managers' international orientation was studied from the perspective of the internationalization process. Additionally, the development of the term of managers' international orientation was traced. The term evolved from the simple strong positive attitude of a manager towards foreign markets to a managerial capability that describes the positive attitude of managers towards exporting and other international activities. Furthermore, the study revealed the two different approaches to distinguishing between international and global orientation: scales of activities approach and attitudinal approach. From the point of scales of activities approach, international orientation is defined as the multi-domestic orientation of a manager and global orientation is a broader version of international orientation, i.e. orientation on the global market. From the point of attitudinal approach, international orientation deals with the managers' psychological and demographic characteristics of a manager and global orientation deals with the positive attitudes of a manager towards global market and internationalization. From the extensive research of an existing literature of the domain, the determinants of managers' international orientation were identified. These main determinants of managers' international orientation identified are international operations experience, the experience of living abroad, foreign language proficiency, the experience of traveling abroad and level of education.

The impact of managers' international orientation in the born-global phenomenon was investigated. The essence of a term "born-global" is defined as a firm, which starts its international activities in a three-year period after the foundation, which is proactive in shaping its internationalization strategy and in which managers perceive the world as a global marketplace full of business opportunities. The managers' international orientation is often a factor, which determines whether the firm is regarded born-global or not. The managers' international

orientation could have a great impact on the internationalization strategy of a firm. The managers' international orientation is often used as one of the parameters in the firms profiling and influences the ability of a firm to become a born-global.

The investigation of the current studies in the domain of influence of managers' international orientation on the internationalization performance of a firm has shown that there is a positive relationship. However, there is no concrete list of managerial characteristics and determinants, which influence the internationalization performance of a firm. Additionally, the empirical evidence is contradictory because of the fact that determinants of managers international orientation vary in both their impact on the internationalization performance of a firm and in their involvement as a determinant in managers' international orientation construct. As the most influential factors, education, language proficiency, business expertise and market perceptions, are dominant in the domain.

In order to study the influence of managers' international orientation on the internationalization performance of a firm, the questionnaire measuring the managers' international orientation was designed. The managers' international orientation consisted of five determinants: the number of trips conducted per year, the number of months an exporting manager lived abroad, the number of languages an exporting manager is proficient in, the level of education of an exporting manager and the willingness of a manager to repeat the experience of living abroad. The financial results of the companies have been collected from the ACISCA database and triangulated with the help of SABI database, which ensures the reliability of the data. The questionnaire resulted in a sample of 272 firms with a 22.48% response rate. The sample consisted from manufacturing enterprises in the vicinity of Barcelona with a dominance of SMEs.

The influence of managers' international orientation on the internationalization performance has been tested with the help of Spearman rank correlation tests and Forward Stepwise Multiple Regression models. The internationalization performance is represented with export intensity dependent variable, which can be expressed as a ratio of international sales to total sales in percentage. The correlation tests have identified the positive relationship between the number of languages ($r_s = 0.178$, $p \leq 0.003$), the number of trips conducted by a manager ($r_s = 0.283$, $p \leq 0.0001$) and education level ($r_s = 0.167$, $p \leq 0.006$). These positive relationships are present across the ten years period for aforementioned independent variables. The forward stepwise multiple regression models have supported the relationship between these determinants and internationalization performance of a firm. Additional tests have shown the impact of Master Degree ($r_s = 0.149$, $p \leq 0.014$) on the internationalization performance, as well as the positive influence of English language ($r_s = 0.138$, $p \leq 0.023$) and negative of German ($r_s = -0.138$, $p \leq$

0.023) and Italian ($r_s = -0.129$, $p \leq 0.034$). The Forward Stepwise Multiple Regression models both explain 6.9% of the variance each (Adj. $R^2 = 0.069$).

On the basis of the attained results, the practical managerial implications have been proposed, with the help of which the Spanish exporting managers are able to identify the bottlenecks in their international orientation and respond accordingly.

List of References

1. Aaby, Nils-Erik, and Stanley F. Slater. "Management influences on export performance: a review of the empirical literature 1978-1988." *International marketing review* 6, no. 4 (1989).
2. Acedo, Francisco J., and Marian V. Jones. "Speed of internationalization and entrepreneurial cognition: Insights and a comparison between international new ventures, exporters and domestic firms." *Journal of World Business* 42, no. 3 (2007): 236-252.
3. Aldrich, John. "Correlations genuine and spurious in Pearson and Yule." *Statistical science* (1995): 364-376.
4. Andersson, Svante, Jonas Gabrielsson, and Ingemar Wictor. "International activities in small firms: examining factors influencing the internationalization and export growth of small firms." *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration* 21, no. 1 (2004): 22-34.
5. Axinn, Catherine N., and Paul Matthyssens. "Limits of internationalization theories in an unlimited world." *International marketing review* 19, no. 5 (2002): 436-449.
6. Bankunda, Geoffrey. "Corporate managers' international orientation and the export performance of firms in Uganda." *Eastern Africa Social Science Research Review* 20, no. 1 (2004): 27-50.
7. Beechler, Schon, and Mansour Javidan. "Leading with a global mindset." In *The global mindset*, pp. 131-169. Emerald Group Publishing Limited, 2007.
8. Bell, Jim, Rod McNaughton, Stephen Young, and Dave Crick. "Towards an integrative model of small firm internationalisation." *Journal of International Entrepreneurship* 1, no. 4 (2003): 339-362.
9. Bird, Allan, Mark Mendenhall, Michael J. Stevens, and Gary Oddou. "Defining the content domain of intercultural competence for global leaders." *Journal of Managerial Psychology* 25, no. 8 (2010): 810-828.
10. Brouthers, Lance Eliot, George Nakos, John Hadjimarcou, and Keith D. Brouthers. "Key factors for successful export performance for small firms." *Journal of International Marketing* 17, no. 3 (2009): 21-38.
11. "Business Demography Statistics". 2015. Eurostat. http://ec.europa.eu/eurostat/statistics-explained/index.php/Business_demography_statistics.
12. Cahen, Fernanda Ribeiro, Somnath Lahiri, and Felipe Mendes Borini. "Managerial perceptions of barriers to internationalization: An examination of Brazil's new technology-based firms." *Journal of Business Research* 69, no. 6 (2016): 1973-1979.

13. Calof, Jonathan L., and Paul W. Beamish. "Adapting to foreign markets: Explaining internationalization." *International business review* 4, no. 2 (1995): 115-131.
14. Cateora, Philip R., and Susan M. Keaveney. *Marketing: an international perspective*. Irwin Professional Publishing, 1987.
15. Cavusgil, S. Tamer, and Gary Knight. "The born global firm: An entrepreneurial and capabilities perspective on early and rapid internationalization." *Journal of International Business Studies* 46, no. 1 (2015): 3-16.
16. Cerrato, Daniele, and Mariacristina Piva. "The effect of global orientation on the performance of international new ventures: evidence from Italy." *Management International Review* 55, no. 6 (2015): 857-883.
17. Clapp-Smith, Rachel. "Global mindset development during cultural transitions." (2009).
18. Dichtl, Erwin, Hans-Georg Koeglmaier, and Stefan Mueller. "International orientation as a precondition for export success." *Journal of International Business Studies* 21, no. 1 (1990): 23-40.
19. Dunning, John H. "The eclectic paradigm of international production: A restatement and some possible extensions." *Journal of international business studies* 19, no. 1 (1988): 1-31.
20. Felício, J. Augusto, Ieva Meidutė, and Øyvind Kyvik. "Global mindset, cultural context, and the internationalization of SMEs." *Journal of Business Research* 69, no. 11 (2016): 4924-4932.
21. Fernhaber, Stephanie A. "Untangling the relationship between new venture internationalization and performance." *Journal of International Entrepreneurship* 11, no. 3 (2013): 220-242.
22. Forsgren, Mats. "The concept of learning in the Uppsala internationalization process model: a critical review." *International business review* 11, no. 3 (2002): 257-277.
23. Freeman, Susan, and S. Tamer Cavusgil. "Toward a typology of commitment states among managers of born-global firms: A study of accelerated internationalization." *Journal of International Marketing* 15, no. 4 (2007): 1-40.
24. Game, Richard, and Gerhard Apfelthaler. "Attitude and its role in SME internationalisation: why do firms commit to advanced foreign market entry modes?." *European Journal of International Management* 10, no. 2 (2016): 221-248.
25. Ganotakis, Panagiotis, and James H. Love. "Export propensity, export intensity and firm performance: The role of the entrepreneurial founding team." *Journal of International Business Studies* 43, no. 8 (2012): 693-718.

26. Gray, Brendan J. "Profiling managers to improve export promotion targeting." *Journal of International Business Studies* 28, no. 2 (1997): 387-420.
27. Harveston, Paula D., Ben L. Kedia, and Peter S. Davis. "Internationalization of born global and gradual globalizing firms: The impact of the manager." *Journal of Competitiveness Studies* 8, no. 1 (2000): 92.
28. Herrmann, Pol, and Deepak K. Datta. "Relationships between top management team characteristics and international diversification: An empirical investigation." *British Journal of Management* 16, no. 1 (2005): 69-78.
29. Hutchinson, Karise, Barry Quinn, and Nicholas Alexander. "The role of management characteristics in the internationalisation of SMEs: Evidence from the UK retail sector." *Journal of small business and enterprise development* 13, no. 4 (2006): 513-534.
30. Johanson, Jan, and Lars-Gunnar Mattsson. "Interorganizational relations in industrial systems: a network approach compared with the transaction-cost approach." *International Studies of Management & Organization* 17, no. 1 (1987): 34-48.
31. Johanson, Jan, and Jan-Erik Vahlne. "The internationalization process of the firm—a model of knowledge development and increasing foreign market commitments." *Journal of international business studies* 8, no. 1 (1977): 23-32.
32. Knight, Gary, S. T. Cavusgil, S. T. Cavusgil, and T. Madsen. "Advances in international marketing." *Advances in international marketing* (1996).
33. Knowles, Deborah, Terry Mughan, and Lester Lloyd-Reason. "Foreign language use among decision-makers of successfully internationalised SMEs: Questioning the language-training paradigm." *Journal of Small Business and Enterprise Development* 13, no. 4 (2006): 620-641.
34. Kundu, Sumit K., and Maija Renko. "Explaining export performance: a comparative study of international new ventures in Finnish and Indian software industry." In *International Entrepreneurship*, pp. 43-84. Emerald Group Publishing Limited, 2005.
35. Kyvik, Oyvin, Willem Saris, Eduard Bonet, and J. Augusto Felício. "The internationalization of small firms: The relationship between the global mindset and firms' internationalization behavior." *Journal of International Entrepreneurship* 11, no. 2 (2013): 172-195.
36. Lloyd-Reason, Lester, and Terry Mughan. "Strategies for internationalisation within SMEs: the key role of the owner-manager." *Journal of Small Business and Enterprise Development* 9, no. 2 (2002): 120-129.
37. Lohrke, Franz T., Geralyn McClure Franklin, and Vinay B. Kothari. "Top management international orientation and small business exporting performance: The moderating roles

- of export market & industry factors." *Journal of Small Business Strategy* 10, no. 1 (2015): 13-24.
38. Lu, Jane W., and Paul W. Beamish. "The internationalization and performance of SMEs." *Strategic management journal* 22, no. 6-7 (2001): 565-586.
 39. Manolova, Tatiana S., Candida G. Brush, Linda F. Edelman, and Patricia G. Greene. "Internationalization of Small Firms Personal Factors Revisited." *International Small Business Journal* 20, no. 1 (2002): 9-31.
 40. Moen, Øystein. "The born globals: a new generation of small European exporters." *International Marketing Review* 19, no. 2 (2002): 156-175.
 41. Muijs, Daniel. *Doing quantitative research in education with SPSS*. Sage, 2010.
 42. Nummela, Niina, Sami Saarenketo, and Kaisu Puumalainen. "A global mindset—a prerequisite for successful internationalization?." *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration* 21, no. 1 (2004): 51-64.
 43. Olejnik, Edith, and Bernhard Swoboda. "SMEs' internationalisation patterns: descriptives, dynamics and determinants." *International Marketing Review* 29, no. 5 (2012): 466-495.
 44. Osborne, J. W., and E. Waters. "Multiple regression assumptions (ERIC Digest ED470205)." (2002).
 45. Oviatt, Benjamin M., and Patricia Phillips McDougall. "Toward a theory of international new ventures." *Journal of international business studies* 25, no. 1 (1994): 45-64.
 46. Piaskowska, Dorota, and Grzegorz Trojanowski. "Twice as smart? The importance of managers' formative-years' international experience for their international orientation and foreign acquisition decisions." *British Journal of Management* 25, no. 1 (2014): 40-57.
 47. "Real GDP Growth Rate - Volume". 2017. Eurostat. <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=tec00115>.
 48. Reid, Stan D. "The decision-maker and export entry and expansion." *Journal of International Business Studies* 12, no. 2 (1981): 101-112.
 49. "Statistics on Small and Medium-Sized Enterprises". 2015. Eurostat. http://ec.europa.eu/eurostat/statistics-explained/index.php/Statistics_on_small_and_medium-sized_enterprises.
 50. Steven White, D., David A. Griffith, John K. Ryans, and Jr. "Measuring export performance in service industries." *International Marketing Review* 15, no. 3 (1998): 188-204.

51. Stoian, Maria-Cristina, and Alex Rialp-Criado. "Analyzing export behavior through managerial characteristics and perceptions: A multiple case-based research." *Journal of Global Marketing* 23, no. 4 (2010): 333-348.
52. Stoian, Maria-Cristina, Alex Rialp, and Josep Rialp. "Export performance under the microscope: A glance through Spanish lenses." *International Business Review* 20, no. 2 (2011): 117-135.
53. Story, Joana SP, and John E. Barbutto Jr. "Global mindset: A construct clarification and framework." *Journal of Leadership & Organizational Studies* 18, no. 3 (2011): 377-384.
54. Story, Joana SP, John E. Barbutto Jr, Fred Luthans, and James A. Bovaird. "Meeting the challenges of effective international HRM: Analysis of the antecedents of global mindset." (2014).
55. Tan, Alvin, Paul Brewer, and Peter W. Liesch. "Before the first export decision: Internationalisation readiness in the pre-export phase." *International Business Review* 16, no. 3 (2007): 294-309.
56. Van Bulck, Hendrikus E. J. M. L. "Global orientation as a determinant of international marketing decision making." PhD diss., University of Georgia, 1979.
57. Welch, Lawrence S., and Reijo Luostarinen. "Internationalization: Evolution of a concept." *The Internationalization of the firm* 14 (1988): 83-98.
58. Wiedersheim-Paul, Finn, Hans C. Olson, and Lawrence S. Welch. "Pre-export activity: The first step in internationalization." *Journal of International Business Studies* 9, no. 1 (1978): 47-58.
59. Williams, Jasmine EM, and Ian Chaston. "Links between the linguistic ability and international experience of export managers and their export marketing intelligence behaviour." *International Small Business Journal* 22, no. 5 (2004): 463-486.
60. Williamson, Oliver E. "The economics of organization: The transaction cost approach." *American journal of sociology* 87, no. 3 (1981): 548-577.
61. Xu, Hui, Larry L. Carter, Harry A. Taute, and Paul Dishman. "Managers' Perceived Risk, Experiential Knowledge, Marketing Capability and International Performance: A Study of Chinese International Enterprises." *Journal of Marketing Development and Competitiveness* 10, no. 1 (2016): 53.
62. Yoon, Junghyun, and Dae-su Kim. "Empirical Relationships among Technological Characteristics, Global Orientation, and Internationalisation of South Korean New Ventures." *Sustainability* 8, no. 12 (2016): 1254.